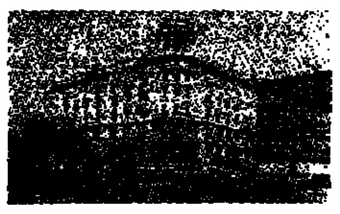

Hotel Bristol: luxury returns to Warsaw
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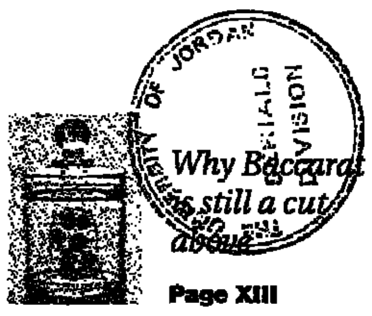

Why Baccarat still a cut above
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John Major's Tory party nightmare
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FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND OCTOBER 31/NOVEMBER 1 1992 — D8523A

Military exports to Iraq known to MI5 in 1987

Britain's intelligence services knew in 1987 that equipment a British machine tool maker was exporting to Iraq was meant for military use, a British intelligence officer admitted yesterday. Concealed behind a screen for security reasons, the unnamed officer indicated to London's Old Bailey court that Margaret Thatcher, the then prime minister, may also have been informed of the situation at the time. The officer was giving evidence about the Coventry-based machine tool company Matrix Churchill, three of whose former directors are accused of breaching export regulations. Page 24

Serb leaders defy UN: Leaders of Serb-held territory in Bosnia and Croatia met to create the "Union of Serbian States" in defiance of the United nations peace plan. Page 2

Spanish store chain sold: Spain's second biggest department store chain, Galerias Preciados has been sold to Spanish investors for Pta21.2bn (£124m) by KPMG Peat Marwick, the auditing firm acting as receivers for British property group Mountleigh. Page 10

Vatican to pronounce Galileo's fate:

Pope John Paul II is today set to "rehabilitate" Galileo Galilei. The great 17th century astronomer was condemned by an Inquisition Court in 1633 for saying that the earth was not the centre of the universe – a view deemed heresy by the Church of his day. Galileo, who constructed the first complete astronomical telescope, was forced to renounce his belief about the solar system. The Pope's speech will end the work of a Vatican group appointed in 1979 to review the controversy. Page 2

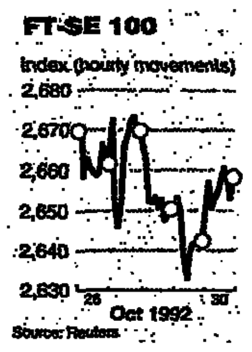
US insurer boosts income: Aetna Life & Casualty, one of the biggest US composite insurers, reported third quarter net income of $239m, (£146.6m) up from $115m in the period last year, despite higher catastrophe losses from Hurricane Andrew. Page 12

Japan Air Lines, the country's leading international carrier, faces deepening losses after making a first-half pre-tax loss of Y4.4bn ($35m). Page 12

Fighting in Angola: Government forces and former Unita rebels clashed near Luanda's international airport leaving more than a dozen people dead. The fighting added to fears that Angola's 16-year civil war, ended last year, is breaking out again. Page 4

Radioactive booty: Police in Ukraine seized nine container of radioactive strontium-90 which were about to be smuggled across the boarder to Poland, the interior ministry said. The containers, stolen from former Soviet bases in Ukraine, were confiscated on October 19. Four serviceman are being held.

FT-SE 100
Index (hourly movements)



Oct 1992
Source: Reuters

Shares close higher: The London equity marked finished the week on a more optimistic note, with the City interpreted Thursday's Mansion House speech by Chancellor Norman Lamont as confirming that UK interest rates are heading lower. Shares ended yesterday 16 points up to leave the FT-SE Index at 2,658.3. Page 15; Markets, Weekend FT Page II

French fuming: French smokers are bracing themselves for tomorrow's introduction of strict curbs on smoking in public. Offenders will face fines of up to FFr1,300 (£155). It remains to be seen how many people will heed the new rules. Page 24

Historic ticket auctioned: The British Airways ticket issued to Neville Chamberlain for his fateful 1938 "peace in our time" summit with Hitler was sold £13,200 at Christie's, London, to an anonymous bidder.

■ STOCK MARKET INDICES		
FT-SE 100:	2,658.3	(+16.0)
Yield	4.53	
FT-SE Eurotrack 100	1,028.47	(+3.21)
FT-A All-Share	1,258.87	
Nikkei	16,767.46	(−170.31)
New York lunchtime		
Dow Jones Ind Ave	3,227.90	(−18.37)
S&P Composite	419.18	(−1.68)
■ US LUNCHTIME RATES		
Federal Funds:	2 13/16 %	
3-mo Treas Bills: Yld	3.013%	
Long Bond	95 1/2	
Yield	7.528%	
■ LONDON MONEY		
3-mo Interbank	7 5/8 %	(7 11/16 %)
Liffe long gilt future:	Dec 101	(Dec 101 3/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Dec)	$19.3	(19.6)
■ Gold		
New York Comex	$339.4	(340.2)
London	$338.65	(same)

■ STERLING		
New York lunchtime:		
$	1.559	
London:		
$	1.5625	(1.57)
DM	2.41	(2.42)
FFr	8.175	(8.1875)
SFr	2.156	(2.1575)
Y	192.5	(193.75)
£ Index	78.4	(78.5)
■ DOLLAR		
New York lunchtime:		
DM	1.54255	
FFr	5.234	
SFr	1.3764	
Y	123.25	
London:		
DM	1.543	(1.5385)
FFr	5.2325	(5.221)
SFr	1.3785	(1.3738)
Y	123.25	(123.325)
$ Index	63.7	(63.6)
Tokyo close Y 123.35		

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Controversial statistics show one point separates leading presidential contenders

Boost for Bush as Clinton poll lead dwindles

By Jurek Martin in Washington

POLLING news continued to encourage President George Bush but not depress his rival Governor Bill Clinton yesterday, with less than 100 hours left before election day.

As both leading candidates in the presidential race wrapped themselves in the mantles of popular former presidents, Mr Ross Perot invoked only himself and flatly predicted he would carry all 50 states on Tuesday.

The now controversial CNN/USA Today daily tracking poll of "likely voters", taken on Thursday and published yesterday, had the two leading candidates statistically inseparable, with Mr Clinton on 41 per cent, Mr Bush 40 per cent and Mr Perot down to 14 per cent. The two previous surveys had given Mr Clinton two and three point leads.

This poll has been criticised, by Mr Clinton, among others, for not taking sufficient account of first-time voters. Indeed, in its parallel measurement of registered voters it put the Democrat ahead by six points, at 42:36:16.

Page 3
■ Fourth estate stands in as whipping boy
■ Statistics unsettle Wall Street

Two other polls yesterday had Mr Clinton's lead at between five and nine points. An average of all recent polls by the New York Times, excluding those published yesterday, divides 43:36:16.

Mr Bush, addressing a Kentucky Fried Chicken convention in Tennessee, again conjured up former president Harry Truman and assailed what he called Mr Clinton's "trample down economics," whereby the dreams of small businessmen would be crushed under the weight of government bureaucracy.

He went from Senator Al Gore's state later yesterday to Missouri and on to Wisconsin, where he will spend today on a train.

Dog-tired and fighting a cold, Mr Bush said on television yesterday morning he was not quite sure where he would be going next. When he was asked to think back to his opposition to the 1964 civil rights act, he looked bemused but admitted "a mistake", which Mr Clinton, he charged, never did.

Mr Clinton began his day by flatly denying that he had committed marital infidelity, but added that history had shown that the country had not suffered because some past presidents had been unfaithful to their wives.

He followed this indirect reference to two Democratic icons, Franklin Roosevelt and John Kennedy, by saying that if Mr Bush wanted to raise the question of "trust," then he might recall that Richard Nixon, who brought the country Watergate, used to say that Mr Kennedy could not be trusted.

Mostly his theme yesterday was his middle class values, which he took, in a day even more frenetic than Mr Bush's, from New Jersey, to

Continued on Page 24

Still confident: Bill Clinton arriving yesterday at a New Jersey diner for a nationwide broadcast

Euro-sceptic Sir Bernard Ingham may be consulted by Brussels

By Andrew Hill in Brussels

SIR Bernard Ingham – former Downing Street spokesman, devoted Thatcherite and virulent Euro-sceptic – may be asked to advise the European Commission on how to bridge the information gap between Brussels and the people of Europe.

Bad-mouthed by Europe's politicians and misunderstood by its citizens, Brussels yesterday confirmed that it had a list of "well-known European communicators" to whom it might turn for advice.

It was a sensible idea, Mr Bruno Dethomas, the Commission's chief spokesman, said yesterday, with the air of a man announcing that King Herod had been appointed to advise the Mothers' Union on childcare.

Mr Jacques Delors, Commission president, believes that member states, not the Commission, should bear the burden of remedying the EC's *déficit d'information*. The external working group would assess whether the Commission's hands-off policy could be improved. Mr Dethomas said the Commission had not yet issued formal invitations, but judging from the short-list of candidates there could be some interesting confrontations.

For example, Sir Bernard, who writes a plain-speaking column for the right-wing Daily Express newspaper, would be sure to take issue with Mr Jacques Séguéla, the left-leaning maverick French advertising executive, and adviser to Mr François Mitterrand on presidential election campaigns.

Sir Bernard, whose briefings were blamed for opening up an information gulf between the press and Lady Thatcher when she was British prime minister, was on holiday yesterday. However, when asked by the Financial Times a fortnight ago what he thought of Commission information policy, Sir Bernard was as blunt as ever. "Do they have one?" he boomed.

Tory motion damps backbench opposition

By Ivo Dawnay and David Owen

THE UK government yesterday averted a confrontation with its own backbenchers by tabling a motion for Wednesday's Maastricht debate aimed at bringing Tory Euro-sceptics back to the loyalist fold.

The move switched the political spotlight to the opposition parties amid reports that the Liberal Democrats were under fierce pressure from Labour and several of their own MPs to oppose the government.

The motion, which avoids any use of the word Maastricht, is clearly intended to maximise the difficulties for Labour. It also makes it extremely hard for the 20 Liberal Democrat MPs to justify opposing Mr John Major, the prime minister.

Far from confronting the Conservative rebels, as had been widely expected, the painstakingly-formulated wording emerges as a highly defensive case for resuming treaty ratification in parliament.

The text reminds MPs that a 244 majority in May had committed the Commons to proceed to the committee stage of the bill. It goes on to stress Denmark's clarification of its intentions and progress on defining the "subsidiarity" principle.

The motion underlines the importance of a "leading role" for the UK in enlarging the Community and using membership to develop jobs and investment. It ends with an invitation to the government to proceed with the bill in order to "consider its provisions in further detail".

The initial response of several Conservative Euro-sceptics was extremely cautious. While some diehards, such as Mr Richard Shepherd and Mrs Teresa Gorman, remain determined to vote against the government, other opponents of the treaty, such as Mr William Cash, were reserving their position last night.

Their final stance looks likely to be settled at a meeting on Tuesday evening when they will attempt to agree a common approach. Speculation is mounting that they may opt to abstain rather than come out in outright opposition.

Labour dismissed the motion as chiefly aimed at persuading the maximum number of Liberal Democrat MPs to back Mr John Major and "save his bacon".

A senior Labour official said an amendment would be tabled next week with wording intended to appeal to Tory Euro-sceptics by putting back the committee stage until after the Edinburgh summit. At the same time, it would underline its own argument that the debate constitutes a *de facto* confidence vote in Mr John Major and the government.

Labour MPs are doggedly backing their leadership's line of outright opposition. Mr Giles Radice, a prominent Labour supporter of the treaty, insisted that Mr Major could not expect opposition support when he had failed to seek a bipartisan approach to Community issues.

"There is no reason why Labour's pro-Europeans should help him out with his own backbenchers, which is what this motion is all about," he said.

The position of the Liberal Democrats was increasingly confused last night amid reports of serious divisions within the party about how to respond.

Maastricht rebel camp, Page 6
Recurring Tory nightmare Weekend, Page I

Japan's PM warns of severe downturn

By Charles Leadbeater and Robert Thomson in Tokyo

THE JAPANESE economy is in the midst of a prolonged and severe downturn, Mr Kiichi Miyazawa, the prime minister, warned yesterday, as the country's leading banks disclosed a 54 per cent rise in their non-performing loans.

The economy, which is on the edge of outright recession, is facing "dire straits", Mr Miyazawa told the Diet, the Japanese parliament, which reconvened yesterday. Meanwhile, the leadership of the ruling Liberal Democratic party is consumed by a destabilising power struggle, provoked by the Tokyo Sagawa Kyubin scandal over illegal political contributions.

With the full scale of the economic downturn still becoming apparent, the forces of recession and growth within the economy are finely balanced.

The Ministry of Finance said the bad loans of the leading 21 banks rose to Y12,300bn (£62bn) in the six months to September from Y7.9bn in March.

The banks responded by unveiling long-awaited plans for a body they will fund, which from next year will start the lengthy task of clearing up the bad loans. The joint body is designed to allow the banks to start writing off some of their losses by taking over their bad loans.

Senior bankers acknowledge that the system is plagued by bad debts which will take years to sort out.

The weakness of the banking system may limit the economy's capacity for growth.

The momentum of the downturn was confirmed by sharp falls in half-year profits at a wide range of companies including retailers and heavy engineers, and losses at JVC, the leading consumer electronics manufacturer, and Japan Air Lines, the nation's top airline.

A continued fall in job offers, a sharp drop in overtime last month and low growth of summer bonuses, suggest that personal consumption will become increasingly depressed this autumn.

Housing starts rallied in September with a 10.4 per cent rise, but the property market remains deeply depressed with a 41 per cent fall in starts on the construction of condominiums.

Recession is being avoided only

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Further details, Page 4

CONTENTS

Austria Sch30; Bahrain Din1.250; Bermuda $1.65, Belgium BFr60; Bulgaria Lv25.00, China Fec 12.0; Canada C$1.40; Cyprus C£1.00; Czechoslovakia Kcs35; Denmark DKr14.00; Egypt E£4.50,Finland Fmk12; France FFr8.50; Germany DM3.30; Greece Dr250; Hong Kong HK$18; Hungary Ft182; Iceland IKR180; India Rup20;Indonesia Rp3.800; Israel NS5.50; Italy L2500; Japan Y500; Jordan JD1.50; Korea Won 2500; Kuwait Fils.600;Lebanon $US1.25; Luxembourg LFr60; Malaysia Rm4.50 Malta Lm0.50, Morocco Dh13.00; Nigeria Naira20.00, Netherlands Fl3.50; Norway Nkr15.00; Oman OR1.50; Pakistan Rs35, Philippines Peo 45; Poland Zl 22,000; Portugal Esc190; Qatar QR12.00; S.Arabia Rls11.00; Singapore S$4.10; Spain Pta200, Sri Lanka Rup30, Sweden SKr14.00; Switzerland SFr3.00;Syria SyP50.00; Taiwan NT$65; Thailand Bht50; Tunisia Din1.250; Turkey L6000; UAE Dh10.00; USA $1.25. (Alaska & Hawaii $1.75)

 No 31,902 Week No 44 LONDON ·PARIS ·FRANKFURT ·NEW YORK ·TOKYO

US and EC in last-ditch trade talks

By David Gardner in Brussels and Nancy Dunne in Washington

THE European Community and the US are to make a final effort to resolve their farm trade disputes at a top-level meeting in Chicago tomorrow and Monday.

The meeting, between Mr Ray MacSharry, EC agriculture commissioner, and Mr Ed Madigan, his US counterpart, is seen on both sides as the last chance to avert a trade war, and salvage hopes for wide-ranging trade liberalisation under the Uruguay Round, which has been held up for two years by the food exports row.

In the US, a trade official said there was little optimism that the new talks would provide a breakthrough. They agreed to meet after Mr John Major, Britain's prime minister and current president of the EC, urged President George Bush to make one last try for a settlement before the US presidential election.

By Monday night, the eve of the US election, the US and EC will either have resolved small outstanding differences on EC oilseeds output and wheat exports, and US exports of cheap cereals substitutes, or Washington will probably go ahead with punitive tariffs on EC farm products – a move that would almost certainly trigger retaliation.

Mr Bush has been keen to get an agriculture agreement before the election, according to an aide, because he will find it difficult to continue negotiations if he loses the election.

Senior EC officials think a deal can be done, but are suspicious of US timing. They say any agreement will be very finely balanced, and will fall short of the demands of the powerful US farm lobbies.

This week, the US relented in efforts to hold the EC to maximum oilseeds output of 9m tonnes, compared with 11.4m tonnes now, offering to accept the ceiling implicit in the Community's reformed Common Agricultural Policy (CAP) of 9.5m tonnes. But the US wants binding guarantees on this.

Mr MacSharry is willing to carry into an international agreement the enforcement mechanisms of the CAP reform, but refuses to move outside the CAP framework.

The two sides appear to have agreed to cut the volume of subsidised food exports by 21 per cent, compared with 24 per cent prescribed under the Uruguay Round.

France has been opposing a Gatt deal because it claims this provision will batter its lucrative wheat exports.

The EC wants a commitment from the US that its exports of corn-gluten – a feedstock substitute cheap enough to undercut almost any cereals price – will not be allowed to undermine the CAP reform, which cuts cereals prices by about a third to near world market price.

Gatt sets up panel on cassette tape dispute

THE General Agreement on Tariffs and Trade world trade body yesterday set up a dispute panel to investigate a Japanese complaint against duties imposed by the European Community on imported audio cassette tapes, trade sources said, Reuter reports from Geneva.

The decision was taken at a closed-door meeting of the Gatt anti-dumping committee.

The two trading partners agreed to neutral arbitration on the nearly 18-month row after the committee chairman, Mr Armando Ortega of Mexico, held mediation talks this week.

Canada, the US and Hong Kong told the 25-nation committee that they had a "trade interest" in the matter and would submit their own data to the panel.

In May 1991 the EC, charging that the cassettes were being dumped, or sold at artificially low prices, imposed duties of 15 to 25 per cent on tapes imported from Japan. Tokyo says the duties violate Gatt's 1979 anti-dumping code.

According to Tokyo figures, Japanese producers' share of tapes sold in the EC market dropped to 35.1 per cent in 1988 from 41.9 per cent in 1985. In 1985, EC-made tapes' EC market share was 27.4 per cent, falling to 19.6 per cent in 1988.

Comments rejecting Danish opt-outs from Maastricht 'taken out of context'

Commission rushes to Delors' defence

By David Gardner in Brussels and Hilary Barnes in Copenhagen

THE European Commission yesterday issued an angry response to reports that Mr Jacques Delors, its president, had ruled out any possibility of Denmark getting a series of legally binding opt-outs to the Maastricht treaty.

According to his spokesman, Mr Delors's words were wrenched from their context, which was a simple restatement of what the 12, including Denmark, have reiterated ever since Danish voters rejected the treaty by a narrow margin in the June 2 referendum – that there can be no renegotiation of the treaty.

Nevertheless, a transcript of Mr Delors' remarks cannot be interpreted as less than a reminder to Denmark that it risks being left behind by its partners if it fails to ratify Maastricht in a new referendum. Diplomats in Brussels were unwilling to add to the controversy, but regarded the remarks as unhelpful during the unresolved ratification crisis in Denmark and the UK.

"The president was merely restating the doctrine of the Community," Mr Delors' spokesman insisted. "Frankly, he only said what I have heard him say at least 15 times."

The spokesman drew attention to introductory and concluding remarks Mr Delors made in a question-and-answer session with the Belgian parliament on Thursday, which appeared to hedge Mr Delors' judgment that the treaty could not be tampered with to accommodate Danish concerns.

The Commission president said: "We can only resolve the Danish problem by adding interpretative declarations [to the treaty], and not a protocol, since that has the value of a treaty."

Denmark is looking for binding guarantees it will not have to take part in a single currency later this century, or the eventual common defence policy mooted by Maastricht.

Denmark sent its demands for special terms, to enable it to submit the Maastricht treaty to a second referendum, to European governments yesterday, claiming that the special terms could be made legally binding without having to renegotiate the treaty.

The Danish position paper, in which the country's demands are set out, is backed by seven of the eight parties in the Folketing. The paper received the formal approval of the Market Affairs Committee yesterday.

Mr Delors underlined "two principles", which conjured up again the spectre of Europe's integrationists going ahead towards union, leaving Denmark, and the UK if it fails to ratify Maastricht, on Europe's sidelines.

"First," Mr Delors said, "nobody can force a country to ratify Maastricht. Second, no country can possess such an enormous right of veto that it can stop others from going forward."

The Danish question, in the judgment of many Brussels and member state officials dealing with it, is likely to turn on the wording and legal status of the guarantees Copenhagen is seeking.

Bosnian Serb soldiers pose with a captured Bosnian flag in front of a burned house in Jajce after the capture of the town yesterday

Union of Serbian States will be snub to UN

By Laura Silber in Belgrade

IN defiance of the United Nations peace plan, leaders of Serb-held territories in Bosnia and Croatia today meet to create the "Union of Serbian States".

The "all-Serbian parliament" is due to meet in Prijedor, a Serb-controlled town in northern Bosnia, to work on the creation of the new state linking Serb-held territories in Croatia and Serbia.

They propose to establish a joint army, currency and citizenship.

Local Serb leaders are spurning the efforts of Mr Cyrus Vance and Lord Owen, the co-presidents of the Geneva Conference, to broker a peace in the former Yugoslavia. This occurs amid growing calls from Croatia, under President Franjo Tudjman, to assert control over the UN-controlled zones, which comprise a third of Croatian territory.

Mr Cedric Thornberry, the UN chief of civil affairs, warned on Thursday of "deteriorating anarchy" in one of the UN zones, where he said local Serb militia refused to hand over their weapons.

While the UN peace plan is under threat in Croatia, hopes of ending the fighting in neighbouring Bosnia have also receded. Bosnian Serb and Croat leaders have rejected a new constitution proposed by peace mediators Cyrus Vance and Lord Owen to set up a decentralised republic, which is not divided on ethnic lines. Serb forces yesterday seized another key city in central Bosnia.

Belgrade radio announced the "liberation" of Jajce, whose population of 40,000 is 81 per cent non-Serb. The loss of Jajce dealt another blow to the mostly Moslem Bosnian forces. The city was the headquarters of the Partizan resistance to German rule in the second world war. They proclaimed the formation of Communist Yugoslavia there in 1943.

Jajce was earlier the seat of the last Bosnian king, Stjepan Tomasevic, in 1463. Bosnia's mainly Moslem government has appealed for foreign military intervention in the former Yugoslav republic, which was recognised by the European Community and the US on April 7. Serb forces now control 70 per cent of Bosnia and Croats about 25 per cent.

Vatican admits Galileo was right

By Robert Graham in Rome

THE Catholic Church is to set right tomorrow one of its great wrongs.

In a special ceremony in Rome, Pope John Paul will formally rehabilitate Galileo Galilei, the astronomer and pioneer of modern physical science who was condemned by the Inquisition in 1633 for daring to prove the earth orbited the sun.

The rehabilitation of Galileo is a rare breach in the church's dogmatic approach to infallibility. Cutting through the coded language of the Vatican in reassessing Galileo's achievements, the Holy See is admitting the Church of the day was wrong and the Pisan scientist was right.

Galileo fell foul of Rome after publishing in 1632 his famous Dialogue on the Ptolemaic and the Copernican Systems. This defence and exposition of the Copernican view that the earth orbited the sun along with other planets in the solar system ran directly counter to church doctrine based on the Ptolemaic idea of the earth being in a fixed position.

Not content with demolishing church doctrine in this respect, Galileo became embroiled in theological controversy by trying to explain the relevance and inconsistency of certain biblical texts in the light of his theory. Despite powerful friends, Galileo was by this time an old man in poor health, and faced with torture he agreed to abjure his "heresies".

For three years he was obliged as a penitent of the Holy Inquisition to recite the seven penitential psalms once a week and spent the rest of his life under house arrest.

His books were removed from the index in 1757 but the church still refused to admit any mistake had been made, despite the clear recognition of his achievement by scientists. The Galileo case thus remained until the advent of the present Pope the most controversial symbol of the clash between science and Christian faith, a subject immortalised by Brecht's play Galileo.

In 1979, the Pope announced a commission of the Vatican's Academy of Science to study Galileo's rehabilitation. The commission's judgment after 12 years' deliberation is that Galileo's judges erred in good faith, but they were wrong.

Statoil fears for gas supply

By Karen Fossli

STATOIL, the Norwegian state oil company, has been forced to consider drastic measures to prevent threatening interruption of gas supply to the European continent, its main market.

The group is looking at alternatives to allow domestic gas production to bypass the ageing Norwegian North Sea Ekofisk field centre, the hub of the world's largest transportation system.

Concern over the 20-year-old Ekofisk facilities has increased since the Norwegian Petroleum Directorate, the oil industry watchdog, warned Phillips Petroleum Norway, operator, that the tank on the main processing and transportation facilities might have to be closed for safety reasons in the winter of 1995-1996.

Approximately 18bn cu m of gas annually is transported to a consortium of European buyers via Ekofisk and approximately 40 per cent of Norway's petroleum production is processed there.

The directorate is expected to respond on Monday to interim measures presented yesterday by Phillips for modifications at Ekofisk until a final plan to meet stringent demands for the field's rehabilitation and safety enhancement can be presented late next year. Phillips said yesterday it would relocate process facilities elsewhere in the field.

With Norway's gas supply to Europe increasing, Statoil sees it as a priority to reduce dependence on Ekofisk. It said operational reliability of the Statpipe gas transportation system, which is connected to Ekofisk, had been reduced by problems this year at the field.

Statoil intends to unveil a proposal for an alternative solution next year.

Production from the Ula and Gyda fields, operated by British Petroleum Norway, is also affected by Ekofisk irregularities.

French jobless up

By William Dawkins in Paris

FRANCE'S unemployed, the government's main economic and political problem, rose by 1 per cent to 2.9m last month, wiping out the marked fall in August.

The rise brings the September unemployment rate to 10.3 per cent, from 10.2 per cent in the previous month, well above the Organisation for Economic Co-operation and Development average of 7.5 per cent in August. Mrs Martine Aubry, the labour minister, blamed the increase on a jump in redundancies and the end of more temporary work contracts than usual.

This means the number of French unemployed has risen by 4.9 per cent over the past year. The outlook for a revival in employment is poor.

L30,000bn to defend lira

By Robert Graham in Rome

DEFENCE of the lira during the currency markets' turbulence of September cost the Bank of Italy L30,000bn (£13.8bn) in reserves, the bank revealed yesterday.

It also showed for the first time the full extent of its short-term obligations contracted with the Bundesbank and the Belgian central bank to defend the lira last month. These obligations, principally to the Bundesbank, amounted to L27,330bn.

This short-term support, due to be repaid on December 16, ensured that foreign exchange reserves at the end of September were L20,801bn against the previous month's L22,891bn. Nevertheless between August and September, total net reserves were halved, falling from L62,670bn to L32,917bn.

The country's net reserves are now at their lowest since 1978 and are less than one third of the L106,581bn this time last year. The acceleration in the loss of reserves began in June with the result of the Danish referendum on Maastricht. However, throughout the crisis the bank has refused to touch its reserves of gold, now valued at L26,228bn.

Reynolds throws down the gauntlet

The Irish premier has dared his coalition partner to bring down the government, writes Tim Coone

WATCHING the crisis being played out in the coalition government in Ireland this week has been like watching two people play Russian roulette.

Prime Minister Albert Reynolds this week set the country on course for a pre-Christmas general election by accusing Mr Des O'Malley, his industry minister and leader of the Progressive Democrats, the junior coalition partners, of having been "dishonest" and of having deliberately misled a parliamentary inquiry into the country's beef industry this year.

Mr Reynolds was defending his own record as industry minister in 1987 and 1988, which Mr O'Malley criticised last June, accusing Mr Reynolds of "grave errors of judgment" in allocating export credit insurance to Irish meat companies for beef exports to Iraq.

During three days in the witness box, Mr Reynolds repeated his accusation, saying Mr O'Malley had deliberately exaggerated the potential liability to which this export cover had exposed taxpayers.

In effect, the charge accuses Mr O'Malley of having perjured himself. Yesterday however, Mr Reynolds acted as though nothing had changed and told the Dail (parliament) that he would be proceeding with government business as usual. He later told a party meeting: "I have no difficulty whatever in continuing to work in government with the PD ministers. I want to categorically refute the suggestion that I want a general election or am attempting to bring one about."

The PDs have called upon Mr Reynolds either to withdraw the accusation or to sack Mr O'Malley. A spokesman for Mr Reynolds said yesterday that neither course of action was being contemplated. "It's a question now as to whether they [the PDs] want to bring the government down."

Mr Reynolds has thus placed the bullet in the revolver, spun the chamber, pointed it at the government's head, and then asked Mr O'Malley to pull the trigger.

The PD party was formed in 1985 after Mr O'Malley was expelled from the Fianna Fail party, then in opposition and under the control of Mr Charles Haughey. Mr O'Malley had bitterly opposed Mr Haughey's controversial style of politics, and set out to create a party which would be seen as holding the high ground in political ethics. Mr Reynolds' "dishonesty" charge against Mr O'Malley is not one it can therefore ignore.

A PD spokesman said yesterday party officials would meet party activists around the country at the weekend to discuss whether to continue support for the coalition. Any decision to withdraw would be announced next Tuesday, at the next cabinet meeting.

A coalition collapse would be followed quickly by a no-confidence motion in the Dail, and the fall of the government. Constitutionally, elections would then have to be held within 30 days. The most probable date would be December 3, the date of a referendum on abortion.

His denials notwithstanding, the events of the past week increasingly appear to have been a calculated move by Mr Reynolds to force the PDs out of the coalition. The question is, why?

One answer is that many activists in Mr Reynolds' party have come to view the six PD deputies in the Dail as the tail wagging the Fianna Fail dog, which has 77 seats. When Mr Haughey was prime minister, Mr O'Malley forced successive policy changes on his government by threatening to walking out, and even brought about Mr Haughey's downfall in January following a series of scandals, when a PD ultimatum to Fianna Fail made it clear that either Mr Haughey must go, or the PDs would.

Under Mr Reynolds' leadership Fianna Fail is now much stronger in the opinion polls than a year ago, and Mr Reynolds has used that advantage to ignore the PDs on a number of key issues in recent months such as fiscal policy, industrial development strategy, the wording of the coming abortion referendum, and the government's negotiating stance on Northern Ireland.

The PDs have swallowed their pride and their principles on each issue, and have grudgingly continued to support Fianna Fail. But the final slap in the face came this week at the beef tribunal.

Fianna Fail aspires to become a majority government, an ambition which eluded Mr Haughey during his 12 years as party leader. Mr Reynolds himself has described the coalition "as a temporary little arrangement". The latest polls show Fianna Fail support at 50 per cent of the electorate, but when undecided voters are included their support falls to 42 per cent, less than the 44.1 per cent in the 1989 elections.

It is calculated that Fianna Fail would require a 3 per cent national swing in its favour to win the extra six seats for an absolute majority. Conversely, a small 1 per cent swing against could lose it as many as seven seats.

It may be Mr Reynolds' calculation that with unemployment rising, high interest rates possibly continuing well into 1993, and a difficult budget next year, he stands a better chance going to the electorate in a snap election now, rather than waiting for Mr O'Malley to choose the moment when the economy looks much bleaker.

The problem is that if an election fails to secure an absolute majority, it is unlikely that any party will now join Fianna Fail to form a new government. Fine Gael, the main opposition party, has this week been oiling its electoral machinery and discussing coalition strategy, but the Labour party, with 15 seats, has said it is not interested. Months, rather than weeks, of political instability therefore lie ahead.

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Head of US mint faces FBI probe

By George Graham in Washington

THE US treasurer, the official heading the Bureau of the Mint, is under investigation by the Federal Bureau of Investigation on charges of influence peddling and accepting payment from her former employer after taking up her government post.

Ms Catalina Vasquez Villalpando, who was appointed treasurer by President George Bush in 1989, was placed on administrative leave, a Treasury spokesman said.

It is her signature which appears on US dollar bills alongside that of Treasury Secretary Nicholas Brady.

Her only other appearance in the limelight was at the Republican convention in August, when she had to apologise for calling Governor Bill Clinton, the Democratic presidential nominee, a "skirt-chaser".

The investigation is the latest in a series of increasingly bizarre probes and counterprobes involving the FBI.

It is investigating the Justice Department's handling of the Banca Nazionale del Lavoro prosecution in Atlanta, and also recently mounted an extraordinary "sting" operation designed to see if the head of the Bush re-election campaign in Texas would sign up for a wiretap on the telephones of Mr Ross Perot, the independent candidate in next week's election.

At the same time, Mr William Sessions, director of the FBI, is himself under investigation by the Justice Department for possible ethics violations.

The FBI said in a brief statement, that its agents two days ago carried out searches in five locations in the Washington area and in Georgia in connection with the investigation involving Ms Villalpando.

It said the raids were conducted to look for evidence of fraud, bribery of public officials, racketeering, conspiracy, conspiracy to defraud the government, fraudulent claims and false statements.

Affidavits in support of the search warrants and detailing the alleged criminal activity have been sealed by federal courts, the FBI said, preventing public disclosure.

A Treasury Department spokeswoman said Ms Villalpando "has requested and been granted leave to deal with her personal situation."

Fourth estate stands in as whipping boy

Complaints of distortion by the media figure prominently in all three campaigns, writes Jurek Martin

IT WAS only a gentle tap on the shoulder in Winston-Salem and the little old lady was very polite. Could I please move a few feet to one side so she could get a better view of the candidate when he arrived and perhaps could I ask some of my colleagues in the press pen to do the same.

Blocking the view is a problem. There were approximately 190 members of the fourth estate on the Clinton-Gore bus tour through the small towns of North Carolina, three-quarters of them from television, and it often was difficult for members of the public to catch even a glimpse of the candidates through the forest of cameras and sound mikes.

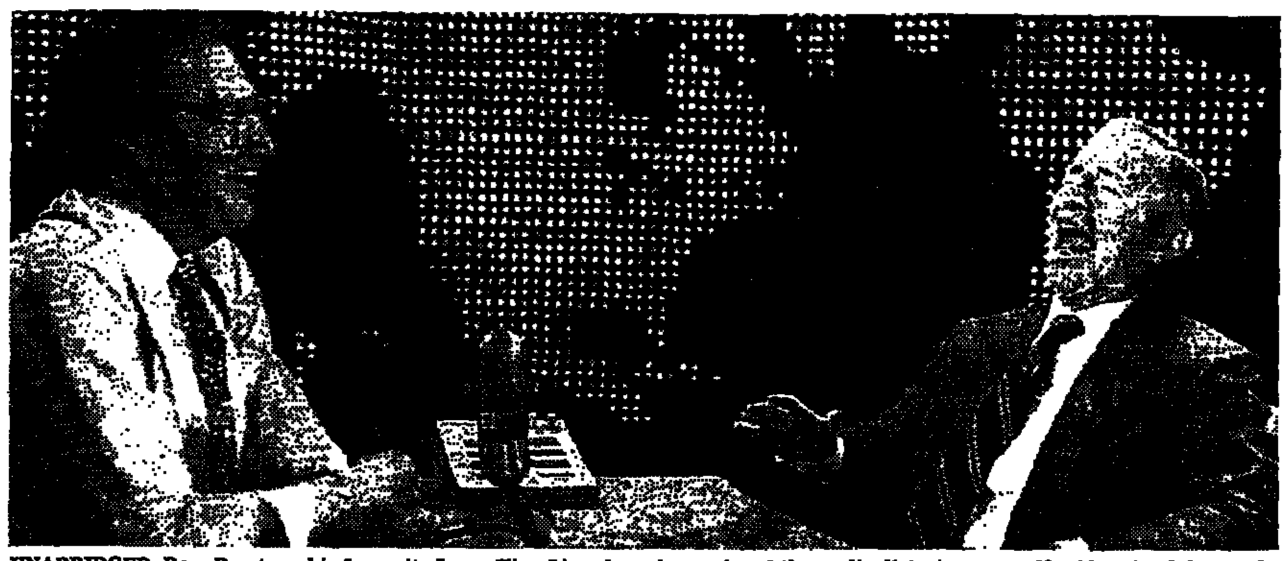
But, if blocking the view were the only problem, solutions could always be found: trenches for cameramen, for example, or the public in the front rows, the zoom-lens press in the back. The candidates' complaint – and it is as bad this year as it has ever been – is that it is their views that are being distorted.

President Bush has a bumper sticker that he waves to rallies: "Annoy the media: Re-elect George Bush." Hardly a day goes by without his charging that the media depict the economy as being far worse than it is, or that it keeps asking him questions he has already answered, on Iran-Contra, for example. There was nothing wrong with the Republican convention, he said yesterday, only the way it was reported.

His son, Jeb, also chipped in yesterday with a letter to the Wall Street Journal about an article that had investigated his business connections, and those of his brother, Neil. It demonstrated, he wrote, "a predisposition to broadcast any set of facts that may have even a remote likelihood of inflicting damage on the president's family, and by association President Bush himself."

Republicans have always claimed the media is infused with liberal bias. This was clearly daft in the 1980s, when President Reagan got an almost free ride, and even in 1988, when much negative Bush advertising passed largely without comment.

It is true that Mr Clinton has picked up more newspaper endorsements than most Democrats have for years, and from some unlikely sources, such as the Portland Oregonian and the Hartford Courant, both for 100 years rock-ribbed in the other direction.



UNABRIDGED: Ross Perot, on his favourite Larry King Live show, is convinced the media distorts every self-evident truth he speaks

Even Mr William Safire of the New York Times, who used to write speeches for Nixon and Agnew, wound up a sharply anti-Bush column on Thursday with these words: "Any reader who cannot figure out against whom this lifelong Republican is voting this year isn't trying".

The president's particular grouse against "talking heads" is that they wrote off his election chances too early. Some of them, he even acknowledged in a television interview yesterday, were conservative or Republican.

Private cold feet may be found in the studios and newsrooms of the nation in the face of Mr Clinton's narrowing lead, but it is hard to tell that from their public utterances. Two of them, Ms Cokie Roberts of ABC and Mr Kevin Phillips, the political consultant and quondam Republican, agreed on the radio yesterday that the striking aspect of the latest polls was that Mr Bush could not rise much above 35 per cent, simply not enough to win an election.

Mr Clinton has had a rough year with the media and, once or twice, when the accusations about his private life have been flying thickest, has stopped being affable and chatty, which is his wont.

But nobody has the contempt for the fourth estate that infuses Mr Ross Perot, the purest of populists.

He wants no filter between himself and his public and is convinced that the media distorts every self-evident truth he speaks. This is why his campaign relies so much on paid-for "infomercials", in which only he gets to talk.

The extent of this consuming passion was more than evident on Thursday, during his latest appearance on Larry King Live, his favourite talk show. He launched into an endless digression on why it was wrong for the ABC network to ask him to choose between two programmes he had been booked for. "I've got a say in this," he said, implying that ABC, which could hardly give him more "free" air time than his opposition, did not.

In reality, the candidates protest too much. When all is said and done, this has not been a "soundbite" election campaign, not only because of the televised debates but because the proliferation of new media and programme outlets has allowed all of them to talk the hind legs off a donkey. This weekend, President Bush is even appearing on MTV, the pop music channel.

Also, after a bit of initial huffing and puffing about displacement, the establishment media really has not minded that much. If nothing else, talk shows are a way of finding out what the great electorate and the candidates do think. And some of the press corps really did heed the little old lady's request in Winston-Salem.

Statistics unsettle Wall Street

By Michael Prowse in Washington

WALL STREET was unsettled yesterday by an unexpected fall in new home sales and a plunge in the Chicago purchasing managers' index of industrial activity for October.

New home sales fell 1 per cent in September, to register their first drop in five months despite lower mortgage rates. The Chicago index fell 10 points to 49.7 per cent, and the Dow Jones Industrial Average was down 19.46 at 3226.81 by midday.

However, the Chicago purchasing managers' index has been running substantially higher than the national index, which will be released on Monday.

The new home sales figures were also better than they looked because data for August were revised up sharply. Sales were running at annual rate of 617,000 in September; the new figure for August was 623,000, up 1.6 per cent from July. Previous estimates had shown August sales running at only 570,000, down 6.1 per cent from July.

NEWS IN BRIEF

Ecuador ends oil monopoly

Ecuador yesterday announced the end of state-owned Petroecuador's monopoly in the country's oil industry, reports Raymond Colitt in Quito. The domestic distribution and marketing of petrol and the operation of pipelines will be privatised. The Ministry of Mining will grant concessions to risk contracts in the areas of exploration, production and international marketing.

The plans are part of an economic reform package initiated by the new reform-minded government led by Mr Sixto Duran Ballén and intended to reduce public sector spending. Although Petroecuador has been operating profitably, the government has repeatedly accused it of poor management and inability to attract new investors.

"It is because of the lack of incentives to attract foreign capital that all exploration and the expansion of oil reserves was halted. The monopoly of Petroecuador has to end," declared Pablo Lucio Paredes, secretary of planning in the National Council of Development, the organ in charge of assessing the viability of state enterprises. He said that the government intended to break Petroecuador's monopolistic role in all phases of the petroleum industry, from exploration to exportation of crude oil.

The government is also considering the privatisation of the two state-owned electric companies, Electroquito and Electroquil, and the loan and medical services currently administered by the Social Security Enterprise.

Salinas to stand down

President Carlos Salinas of Mexico has ended speculation that he might alter the nation's constitution to enable him to seek re-election after his first term expires at the end of 1994, Damian Fraser reports in Mexico City. Addressing federal congressmen on Thursday, the president said: "I will not promote, nor accept, the promotion of any measure to modify the principle of no re-election." Mr Salinas is still only 44, relatively popular and clearly happy in office – all of which fuelled the speculation that he might seek another term. But the taboo against re-election runs so deep in Mexico's political psyche that not even he dared to overturn it.

Clifford to stand trial

Mr Clark Clifford, the former US defence secretary who is seeking to use health reasons to avoid standing trial on criminal charges stemming from the Bank of Credit and Commerce International (BCCI) affair, was accused in court yesterday of trying to manipulate the US criminal justice system, writes Alan Friedman in New York. The accusation came from Mr Robert Morgenthau, the New York district attorney who filed a 50-page motion in court to oppose Mr Clifford's request that his BCCI-related case be dismissed because of his heart condition.

Lawyers for the 85-year-old Mr Clifford have claimed he should not be tried as he might die as a result of the stress inherent in a court trial. Mr Morgenthau said that dismissing the Clifford case would be wrong since it would indicate that "public figures can manipulate and avoid the US criminal justice system."

NEWS: INTERNATIONAL

Japan is slipping deeper into political and economic crisis, **Charles Leadbeater and Robert Thomson report**

Miyazawa urges political clean-up

THE Japanese government has become gridlocked in the wake of the Tokyo Sagawa Kyubin scandal while the economy is facing a severe slump, Mr Kiichi Miyazawa, the prime minister, warned the Japanese parliament yesterday.

Mr Miyazawa told an extraordinary session of the Diet there was an urgent need to restore public trust in politics, which had fallen to an all time low. A newspaper poll this week showed the cabinet's approval rating fell by 10 points over the last month to a low of 23 per cent.

The slump is mainly a reflection of the scandal which has provoked a vicious power struggle at the top of the ruling Liberal Democratic party. This follows the resignation of Mr Shin Kanemaru, the party's powerbroker who admitted receiving an illegal donation of Y500m from Tokyo Sagawa Kyubin, a trucking company with links to organised crime syndicates.

The Diet session, which has been convened for 40 days, will start by focusing on the scandal towards the end of

☐ THE POLITICS

next week. Opposition parties are demanding that Mr Noboru Takeshita, the former prime minister and titular head of the LDP's largest faction, should testify over his role in the affair. Mr Takeshita's testimony could further destabilise the party leadership.

Mr Miyazawa issued a ringing denunciation of the current political system: "I am unalterably resolved to work for far-reaching political reform to eliminate the root causes that have bred today's distrust of politics, including ensuring greater transparency of political funding and facilitating elections contested over policy issues and political activity that does not require vast sums of money."

However, the reform plan which the government has agreed with the main opposition parties falls well short of demands made by leading reformers.

The plan would reapportion several Diet seats from rural to urban areas, strengthen the political ethics council, force Diet members to make a fuller disclosure of their assets and allow illegal contributions to be confiscated.

Mr Miyazawa called on the LDP and the opposition to continue talks on the more far-reaching reforms to the electoral system and political funding which would he said would be needed to meet public criticism.

Mr Miyazawa responded to the uncertainty created by next week's US presidential election by stressing that relations with the US would remain the cornerstone of Japanese foreign policy.

However, he said Japan would increasingly develop Asian foreign policy initiatives which would lead Japan into a political role in resolving disputes in the region as well as providing financial assistance.

Japan would not waver from its Russian policy that bilateral financial aid would be increased only once the dispute over the Kurile Islands was settled and a peace treaty was signed.

Miyazawa addressing the diet yesterday: need to restore trust

Tokyo turns to public works to lift economy

JAPAN'S so-called hidden budget, the Y40,000bn (£202bn) a year Fiscal Investment and Loan Programme funded by post office savings, will be the main stimulant for the flagging economy, according to a supplementary budget approved by the cabinet yesterday.

Spending by the FILP, which is largely under the control of the Ministry of Finance and does not have to be vetted in detail by the Diet (parliament), will rise by 10.8 per cent to Y45,199bn.

In contrast public spending will fall marginally from original plans reflecting a sharp drop in tax revenues.

The supplementary budget, which is to be debated by the Diet, was drawn up to implement the Y10,700bn emergency economic package announced by the government in August.

Apart from the FILP the other main stimulus will come

☐ THE BUDGET

from higher spending by Japan's 3,300 local councils, which are expected to increase their spending by between Y3,000bn and Y5,000bn.

The supplementary budget will cut planned public expenditure by Y728bn to Y71,489bn, in a signal from the finance ministry that despite the economy's weakness it will keep a tight rein on official spending and borrowing.

Senior ministry officials said that given the sharp fall in projected tax revenues the budget would have a marked reflationary effect.

Tax revenues are expected to fall Y4,900bn below the level planned in the original budget approved in the spring. However the spending is broadly being maintained. The government plans to cover the revenue shortfall by borrowing an additional Y2,256 through issuing construction bonds which are linked to public investment.

It plans to carry over a Y1,531bn surplus from last year's accounts which normally would be devoted to paying off government debt. The Bank of Japan's interest rate cuts this year have reduced government interest payments allowing a Y895bn cut in public spending.

The supplementary budget could mark the start of an important shift in Japanese policy away from debt reduction towards investment in public works. It provides for an additional Y1,962bn to be spent on public works, Y88.5bn to help small and medium sized enterprises and a Y156.9bn subsidy to the housing and urban development corporation.

Consumer demand likely to weaken even further

JAPAN'S consumer spending, already weak, may fall further according to government figures published yesterday which show the labour market's health is deteriorating.

Employers' demand for labour is falling fast with job offers barely matching the number of applicants.

The ratio of job offers to job seekers fell to 1.01 in September, which means that for every 100 people looking for a job there were 101 vacancies.

Officials expect the index, which peaked at 1.47 in March last year, could fall to as low as 0.90 as the economic downturn takes its toll on employment.

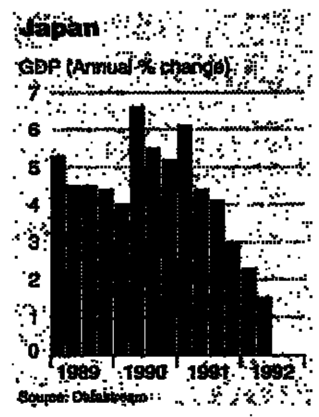
The gathering slowdown in the job market is likely to depress personal income and consumption over the next year, putting additional pressure on the government to consider an income tax cut in the 1993 budget.

Overtime working at companies which employ more than 30 people fell by 16.5 per cent

☐ THE ECONOMY

to 11.7 hours in September, the largest fall since June 1975 when the economy was in the midst of a recession provoked by the rise in world oil prices.

Overtime pay fell by 11.6 per cent and bonuses awarded between June and August rose



by only 2.2 per cent. Bonuses account for more than a quarter of the average pay packet.

The government was cheered by a 10.4 per cent rise in housing starts in September to 123,224 units. This second monthly increase, after a 12 per cent rise in September, reflects the efforts of the public sector Housing Loan Corporation to revive the market.

However the property market remains depressed, particularly in urban areas, with starts on condominium blocks down 26.3 per cent.

Orders placed with the top 50 construction companies fell by 15.6 per cent to Y11,493bn in the six months to September, the worst fall since 1975.

The government will be encouraged by signs that inflation is falling, adding weight to calls for further interest rate cuts. Consumer prices in Tokyo rose at an annual rate of only 1.1 per cent last month, down from 2.2 per cent in September.

Banks unveil plan to prop up ailing loans

JAPANESE banks yesterday unveiled plans for a loan and land purchase company intended to clean up a banking system troubled by non-performing loans and stimulate the property market, the collapse of which has created the problem.

The size of the bad loan burden was highlighted by a ministry of finance announcement that the non-performing loans of the leading 21 Japanese banks rose by 54 per cent to Y12,300bn (£62bn) in the six months to the end of September. The ministry also said valuation losses on bank's stock portfolios had more than doubled over the past year.

Eleven leading Japanese

☐ THE BANKS

banks last night revised down their first-half earnings forecasts by between 27 and 60 per cent, blaming the decline on appraisal losses on their securities holdings and on increases in their reserves for bad loans.

Fuji Bank said that its pre-tax profits would be Y29bn, about 55 per cent lower than forecast, while the Long-Term Credit Bank of Japan revised down its estimate by 56.6 per cent to Y23bn, and the Industrial Bank of Japan cut its forecast by 49 per cent to Y35.5bn.

Finance ministry officials said the fall in stock and property prices had eroded the asset base of leading banks, putting them under increasing pressure to write off non-performing loans, a process which will be quickened by the industry-funded body.

The Federation of Bankers' Associations of Japan, conscious of public criticism of proposed government assistance to banks, said the new company, expected to be established before the end of the year, will be entirely self-funded.

The company will have an initial capital of Y6bn, shared among participating banks, which will also provide low-interest funds for the purchase of their own non-performing loans at a discount to face value – that discount, in principle, will be based on an independent valuation of the loan's property collateral.

With the non-performing loans transferred to the new company, banks will be able to write off some of their losses in the current financial year, while the company will then become responsible for finding purchasers for the property.

Mr Tsutomu Hata, finance minister, said the establishment of the company is "very timely", and he was confident that the valuation of the property, to be done by a panel of accountants and valuers, would stimulate the ailing property market.

However, the banks are offloading the loans because they cannot find purchasers for the property and it is not clear that the new company will be able to find buyers. If that is the case, the bank which originally transferred the loan would be required to buy the rights to the property back at a much later date.

The establishment of the new body enables the banks to spread the losses associated with the non-performing loans. It is expected that the valuation panel will assess the collateral at higher than market prices, creating a small write-off this year, and that the afflicted bank will take a second hit in a few years' time, when its asset base has strengthened.

Reformers fear challenge to economic liberalisation programme

Rao tries to defuse farm protests

By Stefan Wagstyl in New Delhi

MR P V Narasimha Rao, the Indian prime minister, yesterday pledged to increase state subsidies for farmers in an attempt to defuse a serious challenge to his government's economic reform programme.

The move is a response to protests from farmers over cuts in fertiliser subsidies, a key element of the reforms.

The promise of cash for small farmers highlights the increasing difficulties the government faces in implementing reforms which hurt special interest groups favoured by India's complex network of state support.

Some reform-minded economists fear that Mr Rao's programme could grind to a halt if he pays too much attention to complaints from such groups. As well as the farmers, there has been criticism of the economic liberalisation from state-owned financial and industrial corporations, groups of civil servants and trade union leaders.

Rao: cash promise to farmers

Moreover, the Bharatiya Janata Party (BJP), a leading opposition party which is orchestrating protests against Mr Rao's economic policies, has called for a nationwide strike on Tuesday.

However, finance ministry officials denied yesterday's promise to small farmers represented any departure from the reform programme. Rather, it reflected an admission that the fertiliser cuts may have been implemented too hastily. Also small farmers, many of whom can barely afford to feed their families, are widely recognised as needing support.

The farmers' anger was first roused last year when the government launched its reforms and raised the state-controlled prices of fertilisers by 30 per cent, the first increase in a decade. This summer, ministers ordered the complete decontrol of the prices of two types of fertiliser – phosphate and potash products, prompting increases of up to 300 per cent.

The price of nitrogen-based fertilisers, the most widely used, was cut by 10 per cent to soften the blow, but it was not enough. Demonstrations broke out, including one in the town of Ramkola, northern India, in which four people were killed.

Mr Rao has tried to appease the farmers through the promise of a Rs5bn rural infrastructure loan and a Rs3.4bn subsidy for the purchase of potash fertilisers. Yesterday, at a meeting with farmers, he promised to increase grants for small farmers from Rs3.5bn last year to Rs5bn.

However, encouraged by opposition parties, farmers may demand more. Acknowledging this danger, Mr Rao yesterday urged a farmers' delegation to work in their fields and avoid politics.

● The Reserve Bank of India has asked a judge to arbitrate in a Rs5.06bn dispute arising from the securities market scandal between ANZ Grindlays, the Australian-owned bank, and National Housing Bank, a Reserve Bank subsidiary. If Grindlays were to lose the dispute, it would become the second foreign-owned bank to suffer a substantial scandal-linked loss, following Standard Chartered Bank of the UK which has admitted losing Rs8.9bn.

Big jump in Australia's trade gap

By Kevin Brown in Sydney

RECORD exports offset the impact of a big rise in Australia's monthly current account deficit yesterday, helping the weak Australian dollar to resist further falls.

The government said the seasonally adjusted deficit jumped to A$1.5bn (£658m) in September from a revised A$936m in August, adding to concerns that the 1992-93 deficit will exceed the budget forecast of A$15bn. The announcement caused a short-lived sell-off of the Australian dollar, which dropped to a five-year low of 69.17 US cents in morning trading in Sydney, following a fall from 72 to just under 70 cents earlier in the week.

However, the currency recovered to close at 69.58 cents after the foreign exchange market digested the detailed figures, which suggested the deterioration was not as bad as was first feared.

Most of it was caused by an increase of 20 per cent in merchandise imports.

Fighting erupts at Luanda airport

FIGHTING erupted yesterday between government forces and former Unita rebels near Luanda's international airport leaving more than a dozen dead, including three Portuguese nationals, AP reports from Luanda.

The state news agency, Angop, said rocket-propelled grenades and heavy machine guns were used in the hour-long clash between Unita soldiers and the police garrison at the airport.

Angop reported at least 13 dead.

Meanwhile, more shooting was reported in the central city of Huambo, where heavy fighting broke out between the two sides on Thursday.

The latest clashes have intensified fears of a new outbreak of Angola's 16-year civil war that ended with peace accords last year between Unita and the once-Marxist government.

Tension has mounted in Angola since Mr Jonas Savimbi, the Unita leader, rejected the results of the country's first multi-party elections held on September 29-30.

As results showed Unita losing to the governing MPLA party, Mr Savimbi threatened to lead his men back into battle.

"The war in Angola has practically already started," Mr Aldemiro Conceicao, government spokesman, told Portugal's TSF radio on Thursday night "It's all on a razor's edge."

The fighting in Huambo appears to be the worst since the May 1991 peace accords silenced the guns on both sides.

In the voting for parliament, the MPLA won 53.74 per cent to Unita's 34.1 per cent.

But President Jose Eduardo Dos Santos fell less than a point short of the 50 per cent needed for a first-round victory in the presidential race. Mr Savimbi has refused to say whether he will agree to contest a second round.

Malaysia cuts public spending

By Kieran Cooke in Kuala Lumpur

MALAYSIA is cutting public spending in an effort to control inflation and bring down a current account deficit projected to reach M$7.9bn (£1.93bn) this year.

Mr Anwar Ibrahim, finance minister, presenting the 1993 budget, said that despite achieving growth of more than 8 per cent in each of the last five years, the country could not afford continuously to increase annual expenditures. The size of the public service would be reduced and emphasis placed on tighter financial management.

The budget raised the level of compulsory savings contributions for both employers and employees, extended the scope of an existing 5 per cent services tax to include telecommunications and other services and signalled the introduction soon of a sales and service tax of up to 10 per cent.

Mr Anwar made concessions in the form of lowering the corporate tax rate from 35 per cent to 34 per cent and reducing income tax levels by between one and two per cent.

Analysts said Mr Anwar had not been tough enough in curtailing both public and private spending and warned of continuing inflation problems. They also felt the full effects of the slowdown in Malaysia's main export markets had not been fully taken into consideration in the budget.

Embattled Yeltsin braves anger over Baltic troops

By John Lloyd in Moscow

MR Boris Yeltsin, the Russian president, yesterday refused to rule out direct presidential rule to control the steadily rising political tension. Meanwhile Baltic leaders bitterly attacked his decision on Thursday to halt withdrawal of Russian troops from the Baltics, charging that his decree was a sign of "political instability" in Russia.

A spokesman for the North Atlantic Treaty Organisation in Brussels said that the decree was a "matter for concern" and urged "no further delay" in the pullout of the troops.

The troop levels in the Baltics stood at 130,000 earlier this year, but some tens of thousands have been withdrawn.

Mr Vitaly Churkin, a Russian deputy foreign minister, said that social and economic issues had to be sorted out before the rest of the troops left.

Mr Yeltsin's decree said that the human rights issues were a matter of concern for the Russian government: most ethnic Russians were debarred from voting in the recent Estonian elections because of language and citizenship laws, while neighbouring Latvia also has high linguistic and residential requirements.

More weighty, however, has been the flat refusal of the Baltic-based officers, strongly backed by the top echelons of the army, to leave their billets for homelessness in Russia. President Yeltsin, increasingly embattled, depends upon the support of his generals – a support which has pointedly been made overt in the past week.

Mr Andrejs Krestins, deputy president of Latvia, said that "you have to be aware that this unstable Russian position puts in danger not only the Baltics but also the whole of Europe, especially when national radicals with imperial ideas are fighting for power inside Russia".

Mr Yeltsin, on a tour of the southern city of Astrakhan, said in answer to reporters' questions that presidential rule, which some advisers have urged upon him, would "violate the constitution" but added, ambiguously, that "I took my oath to the people first and the rest came later".

He promised price stabilisation in December or January, the latest of a series of promises of better economic times, none of which have been fulfilled.

He said that the Front for National Salvation, which he banned earlier this week, was a "very dangerous organisation" – an estimation backed by Mr Yegor Gaidar, the acting prime minister, who said that the threat to democracy from the left and right extremes was very grave.

Tajikistan asks Russia for more troops

By Steve LeVine in Dushanbe

LESS THAN a week after crushing an attempted coup by rebels loyal to the former communist leader, the Tajik government has conceded that it needs the security of Russian military support and has asked Moscow for additional troops to protect the capital.

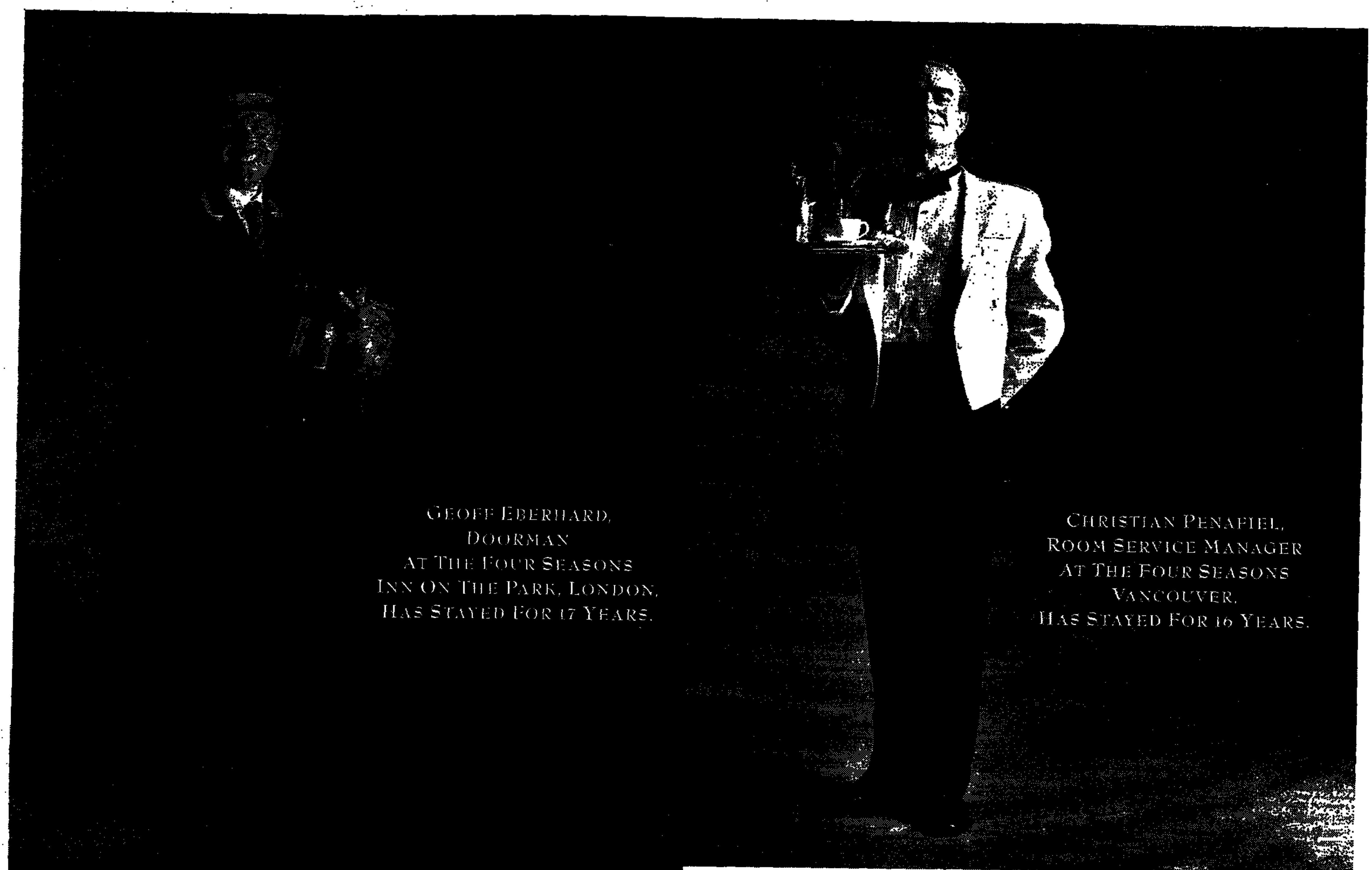
If the request is granted, Tajikistan would be the first of the Soviet Union's 15 former republics to return such a big security role to Moscow.

Tajik Prime Minister Abdumalik Abdullajanov said he would fly to Moscow shortly to argue for troops to reinforce Russia's 201st motorised rifle division, which is stationed in the central Asian nation.

The request had already been made orally, Mr Abdullajanov said.

The troops would reinforce Russian soldiers already blocking roads leading into the capital, and securing the airport and railroad, television and radio stations.

ONLY THE VERY BEST HOTELS IN THE WORLD ARE GOOD ENOUGH TO HAVE PEOPLE LIKE THIS TO STAY.



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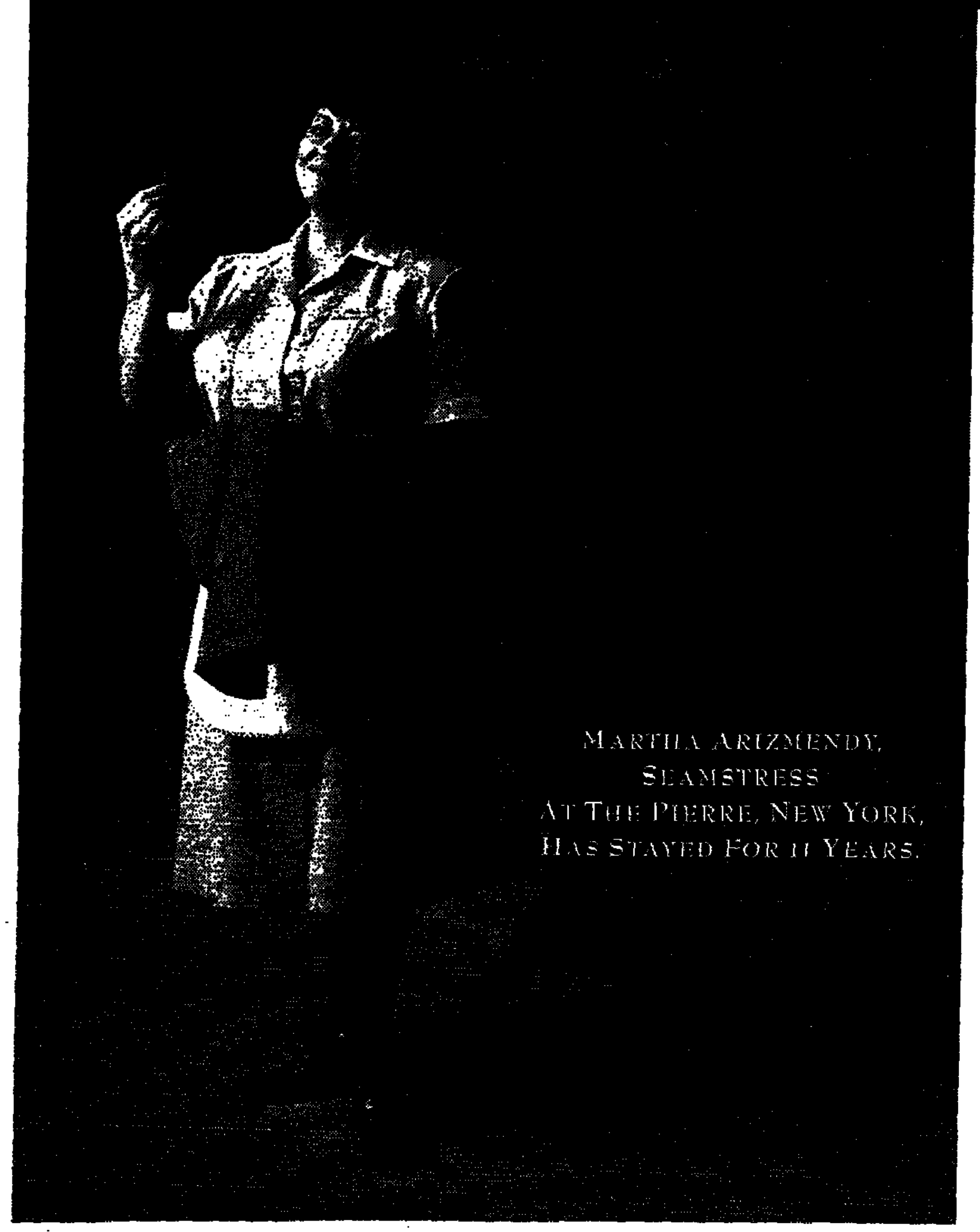

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Maastricht rebel camp still strong

By David Owen

AS MANY AS 35 Tories were insisting yesterday that they were still likely to defy the government in next week's vote to decide whether the bill implementing the Maastricht treaty should return to the Commons for further consideration.

But it was unclear how many of those rebels would go as far as to vote against the government and how many would merely abstain.

That followed the publication of a meticulously crafted 140-word government motion, which was substantive as promised, but did not touch on the matter of timing or even mention the dreaded "M" word.

Reaction to the motion suggested that the rebel camp was likely to fall short of the number needed to defeat the government, but indicated that prime minister John Major was not yet home and dry.

The final picture is expected to become clear only on Tuesday – a day after publication of the Labour amendment – when Tory Euro-sceptics are scheduled to meet in a bid to agree a common approach.

There was speculation in Westminster that the gathering might result in a mass decision to abstain rather than exercise the ultimate sanction by voting against the government.

Yesterday's tone was set by comments from Mr Bill Cash, the MP for Stafford and Sir George Gardiner, chairman of the right-wing 92 group.

Both of those arch-Euro-sceptics did not say they would definitely oppose the government, but indicated that they thought the non-confrontational phrasing of the motion represented a victory of sorts for the rebel cause.

Sir George said: "This motion is so general one wonders why it was necessary to table a substantive motion at all."

A number of Tories, including Mr John Carlisle, MP for Luton North; Mr Michael Carttiss, Great Yarmouth; and Ms Teresa Gorman, Billericay, remained determined to vote against the motion.

All of those were among the 22 Tories who opposed giving the Maastricht bill a second reading in May.

Mr Carttiss said: "I have to vote against that motion even though there is much in it with which I can concur."

Others not among the 22 who were still inclined to vote against the government next week included: Mr Bill Walker, MP for Tayside North; Mr Peter Griffiths, Portsmouth North; Mr John Wilkinson, Ruislip-Northwood; Mr Barry Legg, Milton Keynes South West, and Mr Peter Fry, Wellingborough.

In a potentially crucial move Mr Rupert Allason, MP for Torbay, who opposed the second reading in May, said he would almost certainly be supporting the government.

He said:"I cannot imagine there is anybody who can oppose it." However, he emphasised: "My views on Maastricht have not changed one iota."

Some of the 22 original rebels indicated that they might abstain. Mr Nicholas Winterton, MP for Macclesfield, said: "I shall in no circumstances support it. I think this is just a cosmetic exercise."

Mr Warren Hawksley, MP for Halesowen and Stourbridge, said he "certainly won't be voting for" the motion. "As I feel at the moment, I will be voting against."

Mr Hawksley was one of a group of MPs who had expected to be on the island of St Helena on a parliamentary visit for next Wednesday's vote: "The whips have cancelled that; they may regret it."

Mr Robert Jones, MP for Hertfordshire West and another potential rebel, said he was "unlikely to support the government" unless he was persuaded that "what will come out of Edinburgh is a legally binding agreement on subsidiarity."

Mr Vivian Bendall, MP for Ilford North, said he would "consult with" his constituency association.

Among those who were considering not supporting the government, but who appeared to have been brought back onside were Mr Andrew Hargreaves, MP for Birmingham Hall Green; Mr Michael Fabricant, Mid Staffordshire, and Mr Geoffrey Dickens, Littleborough & Saddleworth.

Failure to ratify will put jobs at risk, Scots told

By James Buxton, Scottish Correspondent

MR IAN LANG, Scottish secretary, warned yesterday that tens of thousands of jobs north of the border would disappear if Britain failed to ratify the Maastricht treaty.

The warning followed one by Sir Leon Brittan, Britain's senior EC Commissioner, that Britain would become a less attractive place for new investment by countries outside the EC if it was seen to be a reluctant member of the EC.

Mr Lang told a gathering of leading Scots at Gleneagles, Tayside, that if Britain failed to ratify Maastricht it would "undermine the confidence in us of those partners with whom we do so much business. That would damage our reputation beyond repair".

Mr Lang said failure to ratify the treaty would hurt the export-led Scottish economy particularly badly and "cost tens of thousands of Scottish jobs".

Both men were addressing the international forum of the Scottish Council Development and Industry, an annual conference of 200 of the most prominent people in Scotland. A substantial majority of those present appeared to be in favour of Maastricht.

In an impassioned after-dinner speech on Thursday, Sir Leon urged Britain to ratify the treaty. Companies from the US and Japan that had set up manufacturing plants in Britain to exploit the single European market were asking whether Britain was going to be part of the new Community or was going to be "cast adrift" in second-class membership.

That is a significant worry for Scotland, where about 25 per cent of manufacturing employment is in foreign-owned factories.

Britain needed to ratify Maastricht to ensure that the rules of the single market were applied fully, Sir Leon said. That would not happen if Europe was thrown into turmoil because of Britain's failure to ratify the treaty.

Tory motion on treaty

THIS IS the text of the government motion on the Maastricht treaty to be debated in the Commons on Wednesday:

"That this House notes that the European Communities (Amendment) Bill received a majority of 244 at its second reading and was committed to a committee of the whole House;

"Acknowledges that the House was promised a debate prior to the committee stage;

"Notes that the Danish Government's intentions have now been clarified;

"Recalls the Lisbon Council's commitment to subsidiarity, the Birmingham Council's agreement on a framework for decisions to implement that principle and the practical steps already taken to achieve it;

"Recognises that the UK should play a leading role in the development of the European Community to achieve a free market Europe open to accession by other European democracies, thereby promoting employment, prosperity and investment into the UK;

"And invites Her Majesty's Government to proceed with the bill in order that the House should consider its provisions in further detail."

● The European Communities (Amendment) Bill amends the European Communities Act 1972 by ensuring inclusion of the European Union details, signed on February 7, relating to the European communites in the "community treaties" The bill approves the treaty on European union for the purposes of the European Parliamentary Elections Act 1978 and requires an act of parliament before the UK notifies the council of its intention to move to stage three of economic and monetary union.

City is critical of Lamont speech

By Emma Tucker, Economics Staff

ECONOMISTS in the City showed little enthusiasm yesterday for what the chancellor had said in his keenly awaited Mansion House speech.

Mr Norman Lamont promised a new commitment to growth, lower interest rates, and no risks to inflation in the long term.

But "rather lame" seemed to be the general view of London's financial community of a speech traditionally used to outline the government's monetary policy. Indeed, by yesterday morning, few analysts felt very much wiser about the government's intentions.

"The speech had more hands than a Hindu goddess," said Mr Gerry Holtham, chief economist at Lehman Brothers, the securities house. "On the one hand he is going for growth, on the other hand he will control inflation; on the one hand he wants rates lower, on the other hand he will not ignore the sterling exchange rate. It was pretty Delphic stuff."

Yesterday, Mr Lamont said he had not intended to set out the government's strategy in the speech, adding that it certainly wasn't "a dash for growth".

The City's unexcited response was reflected in the markets. The pound continued to drift downwards to close in London a pfennig lower at DM2.41. Share prices were lifted a little on hopes of an early interest rate cut. The FT-SE 100 share index closed 16 up at 2,658.3.

A particular grievance among economists was that Mr Lamont did not deliver a coherent monetary strategy.

"It just leaves us with the same old flabby policy, which means cut interest rates now, get the economy going, then head off any inflation by putting interest rates up," said Mr Peter Spencer, chief economist at Kleinwort Benson, the securities house.

"At its heart, the speech was missing that core commitment to a responsible financial framework. As a result, we are left feeling very uncertain about whether or not a future chancellor would be prepared to raise rates if necessary," he said.

His thoughts were echoed by Professor Tim Congdon, head of Lombard Street Research, an economics consultancy, who described Mr Lamont's speech as "a dud".

Mr Michael Saunders, UK economist at Salomon Brothers, was a little more charitable, if only because the speech was a departure from its usual form.

"It was quite an interesting Mansion House speech because it wasn't about monetary policy. It was about getting the economy moving," he said.

The announcement that the Bank of England will make a regular report on inflation was greeted sceptically. "The Bank of England has published quarterly bulletins for years but you have to read them very, very closely to find any criticism of the government," said Mr Saunders.

Or, as Mr Stephen Bell, chief economist at Morgan Grenfell, the investment bank, said: "Published minutes on the government's reasoning behind monetary policy changes could make very interesting reading. But if they want to make them meaningless, they will make them meaningless."

Ambulance software admission

By Alan Cane

SYSTEMS Options, the small, Hampshire-based company that developed the London Ambulance Service's troubled computerised despatch system, had never written large command and control software before the LAS contract, its managing director admitted yesterday.

It has developed fire service department software for several counties, including Hampshire, Staffordshire and Cleveland. The software, costing about £2,000 a module, manages personnel records and the location of water hydrants. One of its biggest contracts was for the Royal Society for the Protection of Birds.

Command and control (C2) software lies at the heart of any computerised despatch system and is the key to its speed and efficiency. A number of UK software houses have built C2 systems for the police or military customers and all agree that they are complex and difficult to develop.

Mr James Pedroza, managing director and co-founder of Systems Options, said there was no alternative to developing C2 software from scratch for the LAS. "Nobody has ever tackled a system that large before," he said. "The reason we were able to do it was our experience in geographical information systems (software which enables, for example, vehicles to be located on a computerised map) and in connecting personal computers to mainframe computers." The LAS deals with an average of 3,300 calls a day, compared with a few hundred for ambulance services elsewhere in the country.

Mr Pedroza, 45, started Systems Options in 1984 with a number of colleagues after they left Wootton Jeffries, a well-regarded UK computing services company now no longer in existence, where he was in control of software development. Before that, he taught mathematics at a South American university.

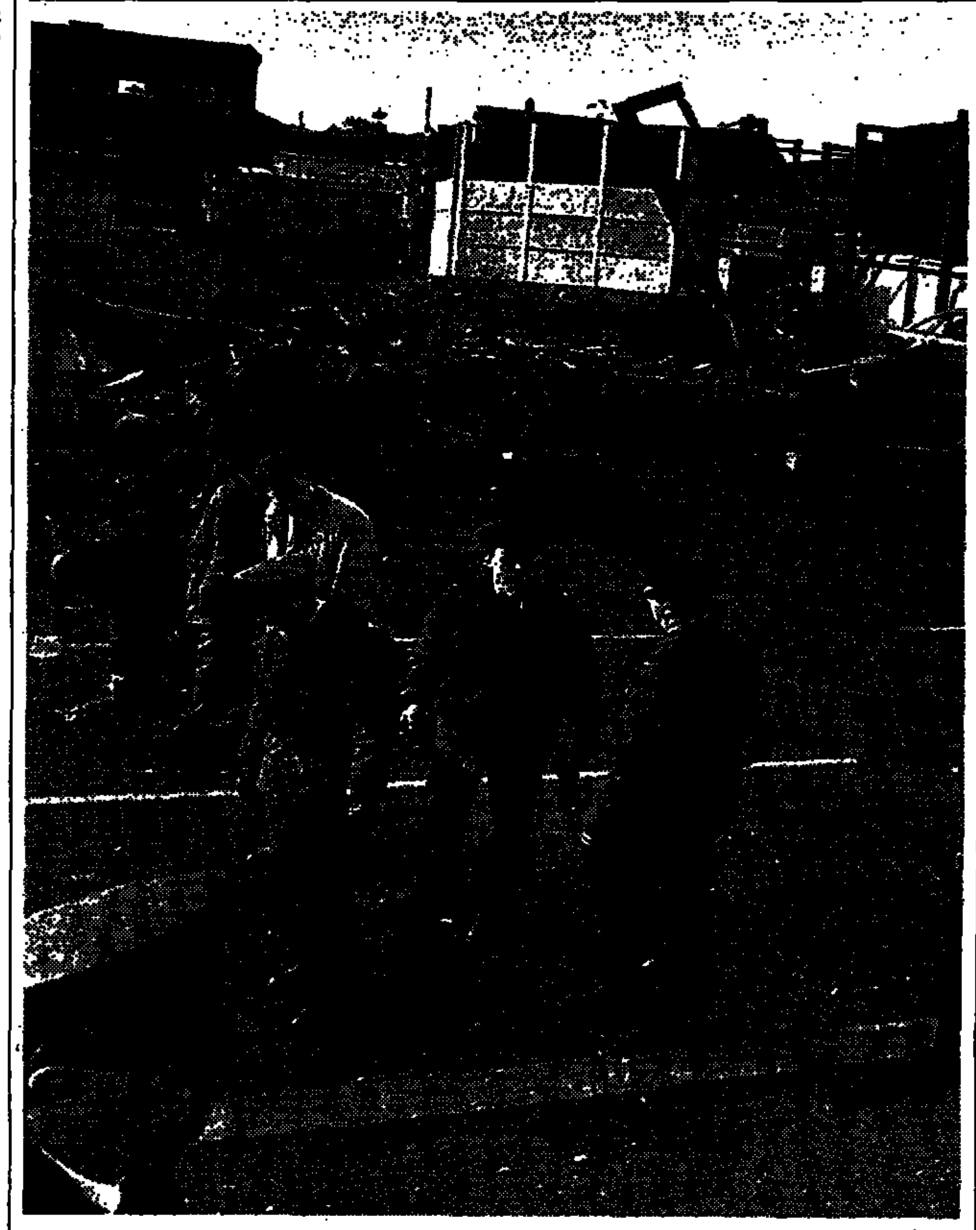
Systems Options remains virtually unknown to the rest of the computing establishment. Mr Pedroza said it was a technologically oriented company chiefly interested in developing systems for local government. It has no sales force and obtains sales leads principally through personal recommendations.

It was encouraged to bid for the LAS contract by Apricot, the UK-based workstation manufacturer owned by Mitsubishi of Japan, after it failed to win a smaller ambulance service contract. Systems Options has been developing software on Apricot hardware for some years.

It won the LAS contract with a bid of £1.2m while the competition, McDonnell Douglas Information Systems and Systems Scheduling, bid about twice that amount. Systems Options' share of the contract is understood to be about £500,000.

Mr Pedroza said its price was because it was bidding an inexpensive personal-computer network. Most command and control systems were developed on expensive minicomputers, he said.

Systems Scheduling's bid, however, is believed to have been based on high-performance ICL workstations of comparable power to Apricot computers.



RUC officers comb the scene of a explosion yesterday at a police station at Glengormley, in Co Antrim, that injured 13 people. The bomb, estimated at 500lb, damaged more than 150 houses

Experts may be used to dispense lottery proceeds

By Raymond Snoddy

PROCEEDS from the planned national lottery are likely to be dispensed by a number of specialist bodies, the government said yesterday.

The lottery, which is planned to be running by 1994, will raise money to benefit the arts, sport, heritage and charities, and create a fund to celebrate the millennium.

Mr Robert Key, national heritage minister, said consultations and a study of top lotteries suggested that it would not be sensible for a single body to regulate the lottery and distribute the proceeds.

Mr Key disclosed to the Charities Aid Foundation annual conference in London some of the details of how Britain's national lottery will work.

The government plans to introduce its Lottery Bill either next month or in December, with Royal Assent and the award of a contract to a private company to run the lottery next year.

Mr David Mellor, the former national heritage secretary, hoped the lottery would raise up to £1bn a year.

Mr Key said distribution of money would require efficiency and speed, accessibility to large and small organisations; and experience so that decisions could be made. "We need to distribute the riches of Croesus with the wisdom of Solomon," he said. "To me that suggests some degree of specialisation is necessary."

Although the government is clearly leaning towards giving specialist bodies the responsibility for distributing money, no decisions have yet been taken about the basis on which funds will be allocated. Lottery proceeds will be taxed, but probably at less than the 37.5 per cent paid by football pools.

Mr Key said the government was considering clarifying laws for small lotteries "to make charitable lotteries potentially more attractive". The limits on prizes for small lotteries may be raised.

The national heritage minister also questioned the view that the lottery could hit charities' income. He said research suggested the lottery would compete with newspapers and sweets rather than charities.

Complaint to EC on Dan-Air rescue

FOUR British airlines have complained to the European Commission's competition authorities about British Airways' plans to rescue Dan-Air, the troubled Gatwick-based UK carrier, Andrew Hill in Brussels writes.

Brussels announced yesterday that the deal – in which BA would take over Dan-Air for a nominal £1 and assume its liabilities – did not fall under EC merger control rules because Dan-Air's turnover in the community was less than Ecu250m (£204m).

The UK airlines – Virgin, British Midland, Air UK, and Britannia – have lodged their complaint under separate EC treaty rules aimed at preventing distortion of competition or abuse of a company's dominant position.

The EC decision means that UK competition authorities might investigate the deal.

Revenue plans computer tender

THE INLAND REVENUE is to put out to competitive tender aspects of its computer operations that cost £50m a year to run.

Mr Stephen Dorrell, financial secretary to the Treasury, said the government had approved the tender to test the benefit of a "strategic contract" with a big private-sector supplier.

One-day strike held at DVLA

UNIONS yesterday said that about 2,000 out of 3,500 civil servants took part in a one-day strike at the Driver and Vehicle Licensing Agency in Swansea, south Wales, over a threat to hive off 3,000 jobs to private companies. Regional offices, including Liverpool, Manchester and Sheffield, were also affected.

● More than 1,300 National Savings clerical staff in Glasgow and Durham held a half-day strike over moves to put work out to tender.

Economists forecast 0.8% downturn

THE average forecast of private sector economists is that the economy will contract by 0.8 per cent this year, according to the latest assessment by the Treasury of City and academic projections. The consensus is that output will grow 1.4 per cent next year.

Schools bill will widen central state powers

By Andrew Adonis

RADICAL proposals to extend the government's powers over the education system and wind down local education authorities in England and Wales were published yesterday.

The Education Bill, which implements reform plans set out in a white paper in the summer, proposes to give Mr John Patten, education secretary, wide-ranging powers to close schools with surplus places and send management teams into failing schools.

It also proposes a funding council, appointed by Mr Patten, for grant-maintained schools – schools that have opted out of local-authority control.

The bill gives to Mr Patten and the funding council powers over grant-maintained schools as extensive as those at present possessed by local education authorities, including the powers to close and reorganise schools.

More than 45 new powers would be conferred on the education secretary by the proposed legislation. Even the power to reorganise schools would be subject to his absolute discretion once a public local inquiry has been held.

That will disappoint many grant-maintained schools, particularly schools with falling rolls that opted out – or are considering doing so – to pre-empt action against them by their local authorities.

The bill, which will be debated by MPs within 10 days, is intended to boost the number of grant-maintained schools from the current 313. It would make it easier than at present for schools to opt out.

Mr Patten said his plans would "expand choice, diversity and specialisation" in the education system. "All schools will be encouraged to specialise in their particular curricular strengths, if they wish," he added.

The most novel feature of the bill is the plan for education associations to take over the management of failing schools where the governing body and local authority have shown themselves "unable or unwilling" to bring about improvements identified by the Schools Inspectorate.

It would also set up a School Curriculum and Assessment Authority, to replace the School Examinations and Assessment Council and the National Curriculum Council; and an independent tribunal to hear parental appeals against the treatment of pupils with special needs.

Dawson closes Scots factories

Garment maker axes 205 jobs

By Daniel Green

DAWSON International, one of Britain's biggest clothing manufacturers, best known for its luxury Pringle and Ballantyne brands, is to shut two Scottish factories with the loss of 205 jobs.

Most of the cuts are in the Pringle of Scotland division. Its four-year-old, purpose-built factory at Dumfries will close at the end of next month. Pringle's workforce will shrink by 10 per cent.

Mr Nick Kuenssberg, chief executive of Dawson Premier Brands, the company's luxury and sports clothes division, did not blame the recession for the closures. "The two factories did low-margin, own-label work. It's a matter of improving margins and getting more from expensive knitting machines."

The Dumfries plant employs 268 people in lambswool knitting. Jobs will be offered to 63 workers and the remainder offered redundancy.

The other factory, at Arbroath, employs 40 people in finishing clothes for the Pringle label. All are being offered jobs at a Dawson plant nearby.

Earlier this year the Dumfries factory took on 30 staff to cope with demand for its autumn ranges. "At that time we had not finalised our plans," Mr Kuenssberg said.

Since then, a strategic review had identified "a surplus of manufacturing facilities at [Dawson's] Dumfries factory".

The factory was built on an industrial estate greenfield site and opened officially in 1988 by the Princess Royal.

"At the time, the market was steaming away," Mr Kuenssberg said. Production for the McGeorge label would have been trebled if the factory had ever worked at full stretch.

He said the closure was "a disaster for Dumfries but good for the business and the shareholders".

Reorganisation costs were provided for in this year's accounts, but now there will be an additional charge of £1m to reflect the fall in the value of the Dumfries property.

After the reorganisation, Pringle of Scotland will have about 1,840 employees.

These are the first job losses at Dawson Premier Brands since the start of the year when 100 were cut at the Blackwoods carpet yarn operation.

Employers warned over safety audit rules

By Catherine Milton, Labour Staff

ALL EMPLOYERS will be required to detail health and safety risks to their employees from the beginning of next year, the Health and Safety Commission said this week.

Employers were warned at the launch of the HSC's guidance on how to comply with new regulations, which might cost industry up to £120m in the first year and £70m a year in continuing costs, that inspectors would take firm action to enforce the requirements.

The provisions implement the European Community Framework Directive and are the first in a series of UK regulations drafted to meet the requirements of eight directives that must be incorporated into domestic law by the end of this year.

The Health and Safety Executive, the enforcement arm of the HSC, last year set the maximum cost to industry of implementing all eight directives at £300m in the first year.

Mr Alan Tuffin, member of the Health and Safety Commission and chairman of the UCW communications workers' union, said: "It will now be more difficult for anyone to claim that they misunderstood the law, as the management regulations – in giving more detail – make much clearer what the law requires."

Employers will have to appoint "competent persons" with "sufficient training and experience or knowledge" as well as enough time and information to assist them in complying with the regulations.

Emergency procedures will have to be set up and employees trained "adequately" in health and safety.

The HSE said that although inspectors understood that employers needed time to take sensible actions where requirements were completely new, "Where we find the law is deliberately being ignored or flouted, inspectors will take firm enforcement action," it said.

The commission said if only 5 per cent of all accidents at work were prevented as a result of the measures, the additional costs of implementing the framework directive would be covered.

The HSC said the action required by employers would vary according to the level of risks at work. The detail required in the "risk assessment" would be determined by the level of risk.

Management of health and safety at work – Approved Code of Practice. HMSO, PO Box 276, London SW8 5DT. £5.

Unions fight for naval dockyards

By Lisa Wood, Labour Staff

MR JACK DROMEY, national secretary of the TGWU, Britain's largest trade union, urged the government yesterday to avoid "a second great coal board disaster" in the naval dockyards.

That follows reports, denied by the government, that there are plans to close the Rosyth yard, Scotland's largest single employer, with thousands of job losses. The yard has 4,000 direct employees.

Unions say the Navy Board would prefer Devonport dockyard, Plymouth, to handle refitting on Trident submarines. Unions at both yards, also the Fleet Maintenance and Repair Organisation at Portsmouth – which may lose its refit capacity – have joined forces to argue for both sites to be kept open.

They also want a review to be conducted into overall industrial policy and consequences of mass redundancies and closures.

Mr Dromey said: "With the right approach, Devonport and Rosyth have a bright future. Their prime purpose will remain naval refitting, but both yards should continue to diversify to win commercial work because defence expenditure will fall throughout the 90s."

Mr Gavin Laird, general secretary of the AEEU engineering and electrical union, said: "If spare capacity exists, then the first task should be how to fill it, to make use of skills and to protect jobs and local communities."

Mr Malcolm Rifkind, defence secretary, has said the reports are clearly "at best premature, and at worst totally wrong", that he was unaware of any conclusion to thenuclear submarine refitting studies, and that a final decision was expected by Christmas.

Few more women as top civil servants

By Catherine Milton

THE PROPORTION of women in the top three grades of the Civil Service has risen half a percentage point over the past two years, an analysis of government figures suggests.

The analysis, carried out by the FDA top Civil Service union, shows that women make up 7.7 per cent of top civil servants, compared with 7.2 per cent in 1990.

The FDA said the figures showed some departments with no women in the top three grades, such as the Inland Revenue, where 60 per cent of the staff are women. Other departments had 20 per cent women at the top and the Home Office 25 per cent.

The analysis shows that out of a total of 647 top Civil Service jobs, 50 were held by women by the end of June, compared with 43 out of 688 at the same time last year.

Mrs Barbara Mills, the director of public prosecutions, is the only woman in grade one. Mrs Stella Rimington, head of the security service, is her equal in grade but is not strictly a home civil servant.

The proportion of women in grade 3 is lower than that in grade 2, with only six out of 70 posts held by women. The FDA said: "This suggests it will take a determined recruitment drive for women at grade 3 for there to be improvement."

EC drops commitment to mandatory works councils

By Catherine Milton

A SENIOR European Commission official indicated yesterday that Brussels was no longer committed to legislation forcing companies to set up works councils.

Dr Hermanus van Zonneveld, (head of working conditions and labour law in the commission's social affairs directorate, said he thought progress could best be achieved by voluntary agreements.

Speaking to the annual conference of the Institute of Personnel Management in Harrogate, he said: "A settlement between the two sides of industry can better take into account the many specific situations of companies with quite often complex structures than a piece of legislation coming from the Commission civil servants."

The shift in the Commission's strategy brings Brussels closer to the UK government, which has consistently opposed European legislation to set up works councils, the company-based consultation forums for employers and employees.

Dr van Zonneveld hinted that the voluntary agreements would cover Britain because they would avoid the need for a vote under the social chapter of the Treaty of Maastricht, which the UK has not signed.

He told the conference that many employers recognised the importance of employee involvement, especially in the recession.

About 20 European companies had established structures for information and consultation procedures, and voluntary labour management councils were widespread in Japanese companies, where they played an "important role".

He said that member states had failed to agree legislation after more than 20 years of negotiations. The latest legislation proposed by the commission last year can be adopted only if the 12 agree. It is opposed by one government and two others have reservations.

Bogus ads lure workers to HK

By Daniel Green

JOBLESS UK construction workers are being lured to Hong Kong under false pretences to work on the new airport, the territory's government has warned.

Advertisements offering lists of prospective employers for sale to "English-speaking manpower" in all categories of labourer have been published in The Sun, Today and the Daily Express. Some workers have travelled to Hong Kong in vain.

Mr Ranjit Peiris of the Hong Kong government office in London said that only highly skilled professional staff were being sought to work on the multi-billion-pound project. A list of contractors for the airport project is published by the Hong Kong government and is available free.

News International said it had received 20 letters of complaint after an advertisement was published in The Sun.

The Advertising Standards Authority has upheld complaints against one of the advertisers, Maurice Walker Marketing of Stoke-on-Trent, Staffordshire. It was "extremely concerned that the advertisements had failed to provide any evidence that employment was likely to be available".

It noted that there had been a similar spate of advertisements at the end of the Gulf war 20 months ago.

Mr Dick Livingston, head of the London office of Hong Kong's Provisional Airport Authority, said that typical UK wages for basic jobs were too high. Workers would be recruited from Hong Kong, China, Thailand and the Philippines.

Several of Britain's hard-pressed construction companies have won contracts for Hong Kong's airport, the most ambitious single infrastructure project ever undertaken in Asia. They include Costain and Trafalgar House.

Countdown starts for 10 mines

By Jimmy Burns

BRITISH COAL has formally served notice on miners' union representatives that it is starting a 90-day statutory consultation period, at the end of which it intends to close 10 pits.

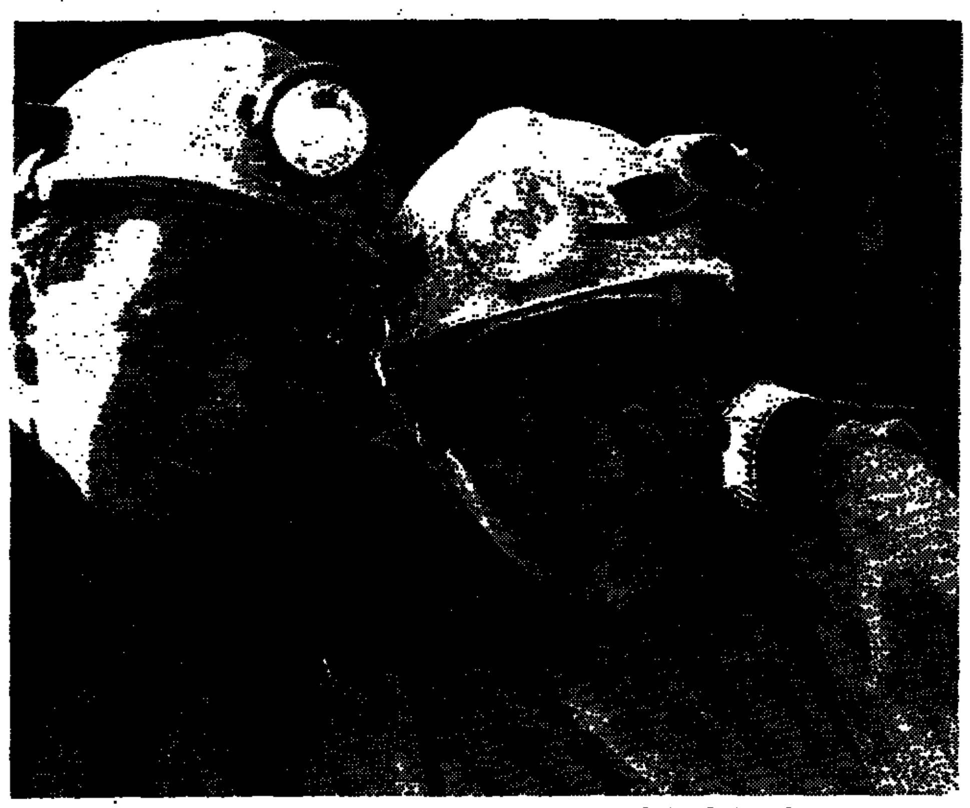
Letters inviting local union representatives to meetings with management were issued yesterday as British Coal ceased production at two more pits – Grimethorpe and Houghton Main in South Yorkshire – leaving only one of the 10 – Betws in south Wales – still cutting coal.

British Coal officials said the consultative period would present miners with an opportunity to argue their case against closures.

The miners' unions are concentrating their efforts on legal action to force British Coal to resume production at all the pits. They also want the 10 pits to be the subject of discussion at national level and to be included in the government's wide-ranging consultations on its energy policy.

Applications for injunctions by the National Union of Mineworkers, Nacods pit supervisors' union, and the Union of Democratic Mineworkers are scheduled to be heard in the High Court on Tuesday.

The unions claim to have compiled evidence pointing to a deterioration of coal faces, roadway and equipment at some of the pits that have ceased production over the past two weeks. According to union officials, the evidence suggests that British Coal is effectively pre-empting the outcome of the consultation period by allowing the mines to become unworkable.



Miners leaving Grimethorpe Colliery in South Yorkshire – possibly for the last time

Yesterday a small group of women demonstrators chanted and cheered as miners emerged possibly for the last time from Grimethorpe Colliery.

British Coal said the number of miners applying for voluntary redundancy at the 10 pits had risen over the past week to more than 1,000.

The unions fear that a surge in the number of miners volunteering for redundancy might further jeopardise any chance of reprieve for the 10 pits.

● Nottinghamshire County Council is to hold an independent inquiry chaired by Mr Anthony Scrivener QC, last year's chairman of the Bar Council, into pit closures and their effect on the local economy.

Evidence provided by the inquiry will be collated and presented to the review promised by Mr Michael Heseltine, trade and industry secretary.

Review sparks nuclear reaction

A nervous sector is preparing its case for survival, says David Lascelles

AS Mr Michael Heseltine, trade and industry secretary, tries to find more room in the energy market for coal, he is making the nuclear power industry nervous.

Dogged by controversy and high costs, its members sense that they may be a ready candidate for scaling back, and the fact that the UK's earliest reactors are approaching the end of their lives anyway provides a convenient excuse for replacing them with coal. Also, since the nuclear industry is one of the few energy sectors left in public ownership, it is available for manipulation by the government.

But the nuclear industry will fight back. Within hours of the announcement of Mr Heseltine's review, Mr Bob Hawley, Nuclear Electric's chief executive, was promoting its virtues. To cut nuclear power, he said, would be a "quick fix" that would ignore the industry's long-term benefits. This week the Nuclear Forum, the industry's trade group, launched its own campaign.

Nuclear's case is built largely on claiming to provide the cheapest large-scale electricity supplies in the long term. It is also environmentally friendlier than fossil fuel and could help the coal industry by offsetting heavy emissions.

At present,nuclear accounts for about 20 per cent of the electricity generated in the UK, and its share is rising fast. It is produced mainly by Nuclear Electric, with 12 stations in England and Wales, and Scottish Nuclear, which has a further two plants.

NE operates at a heavy loss, as it was incorporated by the government without financial provisions to decommission its nuclear reactors. The deficit is made up by a £1.3bn levy on electricity bills which is due to be phased out by 1998, although NE hopes to be making a profit before then. Scottish Nuclear has provisions and already makes a modest profit.

The real question facing Mr Heseltine is whether coal has a stronger claim to subsidy than nuclear power. Although the latter claims to produce some of the cheapest electricity available, that has been challenged by its competitors.

Professor Peter Jones, a consultant to Nuclear Forum, says nuclear would be able to generate power at 3p a kilowatt hour by the year 2000. Other power generators estimate that NE's costs are anywhere between 3.5p and 8p a kWh, compared with less than 3p for coal-fired power stations.

They maintain that keeping nuclear going at coal's expense is vastly uneconomic. It would be more sensible to phase out the early stations rather than extend their lives, as seemed to be the government's plan until recently.

Mr Hawley vigorously denies the figures. The early stations, he says, have had all their costs written off and are generating electricity at a mere 1.2p a kWh. It would be crazy, he says, to shut down such a cheap power source, particularly since that might lead to higher energy imports. The Treasury would also have to stump up decommissioning costs running into billions.

It is not just a question of whether existing stations should be phased out, but also whether additional ones should be built. That is central to the nuclear industry's argument that it can become truly economic only if allowed to build many stations to achieve economies of scale.

NE makes much of the fact that the only station under construction, Sizewell B in Suffolk, is ahead of schedule and on budget. Although its cost is a huge £2bn, the station should be able to generate power for 3.8p a kWh, according to Mr Hawley. If NE was allowed to build Sizewell C, the generating cost would fall below 3p.

Those figures, though, are based on financing costs of 5 per cent for B and 8 per cent for C. Other power generating projects being planned in the private sector assume 12 per cent. "Where would Nuclear Electric get money at 8 per cent?" asks a senior electricity industry executive. Mr Stephen Ogle, NE's financial control director, says finance would be available either from the government, with its new interest in large job-creating projects, or from the private sector, which, he maintains, is showing signs of overcoming its suspicions about nuclear power.

Mr Heseltine's review comes too soon for nuclear power. The government had previously promised to review the industry in 1994, and both NE and Scottish Nuclear were gearing up for then: Sizewell B would be up and running, the sector's financial performance would have improved, and the environmental case might have strengthened. If nuclear does now face the axe, it will argue that it has not been given a fair chance to prove its case.

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A lack of leadership

THESE ARE worrying times. The German economy is sliding into what one of the members of the Bundesbank council has said could be "a very long-lasting and very deep" recession. Japan's economic recovery is more a hope than a fact, while that of the UK is more of a prayer than a hope. The US recovery, feeble though it is by postwar standards, seems to offer what chance of early recovery exists.

Avoiding recessions altogether is impossible. Avoiding recessions that last for years is both possible and necessary. Years of disappointment have already been experienced in the US and the UK. Now the rest of Europe and even, it appears, Japan are threatened by a similar fate. The European economy would decline with Germany's, while Mr Alan Greenspan, chairman of the Federal Reserve, has warned of the prolonged adjustment needed to remedy the balance sheet deterioration that occurred during the 1980s in the US, Japan, the UK and several other industrial countries.

Unfortunately, there are both political and intellectual obstacles to effective action, the central fact being the extraordinary weakness of the governments of every leading industrial countries.

Japan's ruling Liberal Democratic party is paralysed by factional infighting. Implementation of the government's Y10,300bn (£53bn) fiscal package could be adversely affected, while any Gatt package that includes liberalisation of the rice market would be no less imperilled. Meanwhile, Germany's government has demonstrated yet again its disagreement over how to pay for unification. Arguing that "the hour of truth is here", Mr Helmut Kohl admitted at the annual congress of his Christian Democratic Union that tax increases might be needed after 1995, only to be contradicted by his finance minister, Mr Theo Waigel.

Longest recession

The French government is so fearful of the outcome of next spring's parliamentary elections that it is prepared to render the future of France, the European Community and the world economy hostage to the fate of its grain barons. In Italy, Mr Giuliano Amato's fragile government has made fiscal progress. But it still seems likely to do no more than halt the deterioration in Italy's fiscal position.

By Italy's standards, the UK's problems look small. They are not. It is not merely that the UK is suffering the longest recession since the Great Depression, nor that the exit from recession seems to be as far away as ever. It is that the whole system of British government is under a cloud.

North America is not immune. Canada has failed once more to resolve its constitutional problems. There is even talk of dissolution, while in the US talk is rather of the deep economic and social problems that the two leading candidates, Mr Bush and Mr Clinton, have done little to address.

It is, in short, only by the standards of the losers in the cold war that the western world looks healthy. Much depends on the US. But it is difficult to feel much optimism, whatever the outcome of the election.

Profoundly destabilising

It would be wrong to exaggerate the need for global leadership. What is needed, first and foremost, is enlightened domestic policy in the major countries. Attempts to drive global monetary policy by the aim of exchange rate stabilisation, at least without equivalent co-ordination of fiscal policy, have been profoundly destabilising.

What has made the life of the monetary authorities so difficult is persistent errors. in fiscal policy. Within a globally integrated capital market, large fiscal deficits tend to seem costless, at least until governments find themselves looking into the abyss of uncreditworthiness. The International Monetary Fund is right, therefore, to warn of the consequences of failure to achieve reductions in fiscal deficits in the medium term. It is right, but doomed to be ineffective. Deficit cutting seems politically suicidal during recessions and unnecessary during periods of expansion.

During a recession, it is not merely politically convenient to run larger fiscal deficits; it is intellectually respectable. Many advisers are driven to recommend the politically implausible combination of a fiscal boost in the short run with fiscal consolidation in the medium term.

Partly because of the weakness of governments, partly because of genuine intellectual disagreements over the role of fiscal policy, no major co-ordinated effort to reignite global growth can be expected. Nor is much to be expected even within Europe, given the stalemate into which German politics has fallen over fiscal policy.

What politicians must avoid above all is committing major new errors. The most important danger now is a tit-for-tat trade conflict between the US and the EC over oilseeds, which may start as soon as November 4, the day after the US elections. It takes strength to avoid succumbing to temptations. At the moment, western governments do not seem purposive enough even for that.

Still fumbling for first gear

The government must restore confidence before the British economy can shrug off recession, writes **Peter Norman**

"A year that began in uncertainty is ending in perplexity" – Montagu Norman, Governor of the Bank of England, starting his Mansion House speech in 1933

Neither Mr Norman Lamont, the chancellor, nor Mr Robin Leigh-Pemberton, the present bank governor, chose to echo Montagu Norman's words in their own Mansion House speeches on Thursday. But they could well have done.

Six weeks after Britain's departure from the European exchange rate mechanism, much remains unclear about government policy and baffling about the true state of the UK economy.

Mr Lamont in his speech went some way to removing uncertainty by putting himself and the Treasury behind the prime minister's goal of returning the UK to growth.

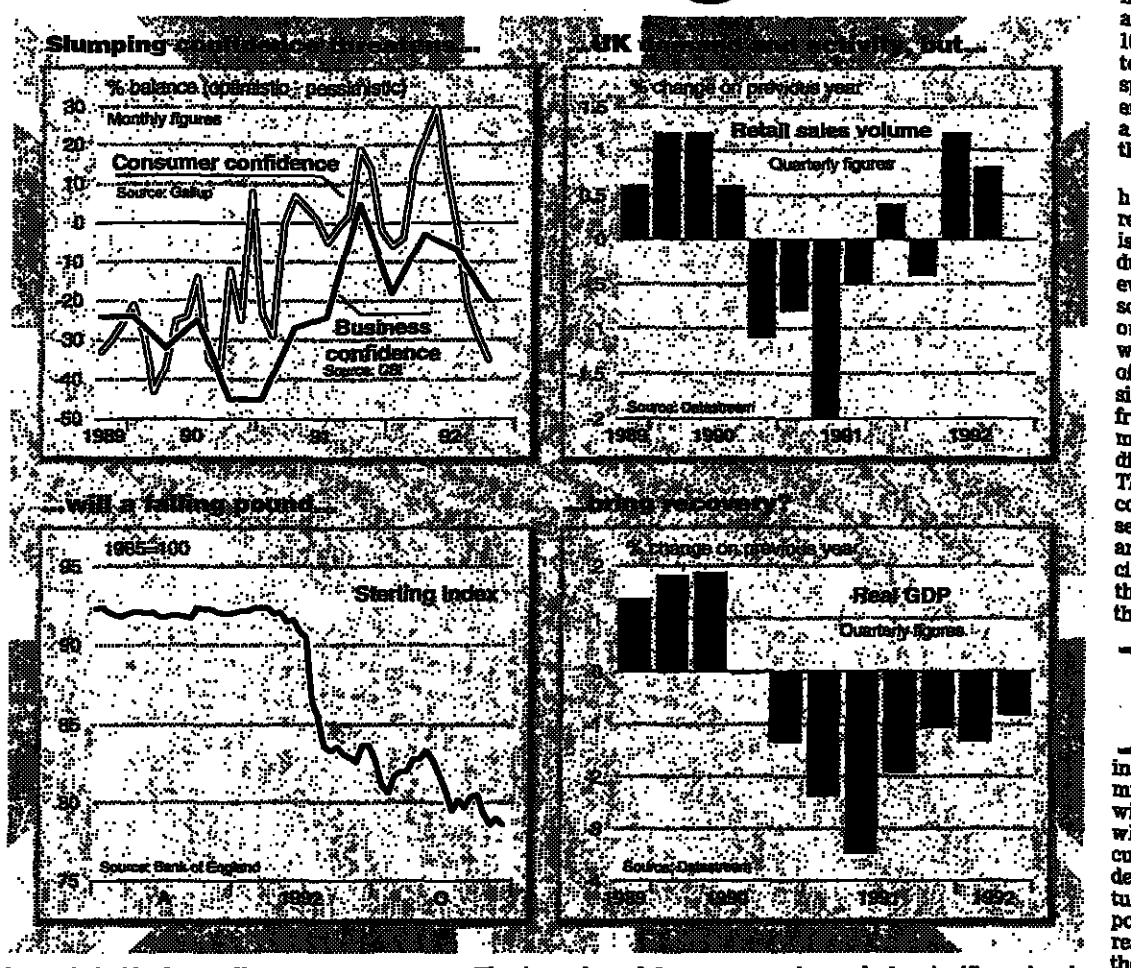
But as City analysts and industrialists picked over his words yesterday, it became clear that the government still faces a struggle to restore the business and consumer confidence on which economic recovery will hinge. Each partial unveiling of government economic policy-making since Black Wednesday has produced more questions than answers. The Mansion House speech was no exception, making all the more important the government's full exposition of its post-ERM strategy in the Autumn Statement on November 12.

At first sight, Britain presents a picture of almost unrelieved economic gloom. The Confederation of British Industry this week reported a sharp fall in business confidence in the third quarter while the British Chambers of Commerce say the economy is entering a "second leg" of recession.

Unemployment rose 32,200 to 2.85m in September and the underlying trend is upwards. According to Gallup, the polling organisation, more than half of Britons expect economic conditions to deteriorate over the next 12 months. House prices, that vital measure of middle-class well-being, registered their largest ever monthly fall in September, according to the Halifax building society. Little wonder, therefore, that some high street banks are now placing solicitors among their high-risk borrowers.

The turns and twists of government policy since Black Wednesday have added greatly to the sense of despondency. Anecdotal evidence suggests that the decision on September 16 to push base rates up to 15 per cent gave a surprisingly long-lasting shock to many consumers even though it was reversed within 24 hours. The spectre of rising unemployment helps explain why the planned redundancies in the coal industry earlier this month unleashed such a wave of anger and proved such a debacle for the government.

On the other hand, there are some more hopeful aspects to the economy. Many mocked Mr Lamont's welcome for September's small 0.2 per cent volume increase in retail sales, which the chancellor said marked a "clear upwards trend". But according to Mr Kevin Gardiner, UK economist at S G Warburg Securities: "The resilience of consumer spending until September was the best-kept secret in town." Retail sales in the third quarter were 0.6 per cent up on the previous three-month period and 0.8 per cent higher than a year ago in a period when bank base rates were mostly at 10 per cent. The two percentage points cut in base rates since late September should soon begin to boost individual spending power when mortgage rate cuts take effect.



Recent business surveys may also be overdoing the gloom as they were completed too soon to include the October 16 base rate cut to 8 per cent. Businesses can now borrow at interest rates well below continental European levels, while sterling has experienced a substantial 13.4 per cent devaluation against the Bank of England's trade-weighted basket of currencies since leaving the ERM.

As the chancellor made clear on Thursday, this devaluation – far greater than would have been allowed in an ERM realignment – should greatly enhance the export competitiveness of British industry.

But the world business climate has also deteriorated sharply in the past six weeks. Germany seems to be sliding towards recession while independent growth forecasts for both the US and Japan next year have been scaled back. As Mr Leigh-Pemberton reminded bankers in his Mansion House speech: "The risk of a further world downturn resulting from debt deflation is real."

In the present unpredictable climate, no one, least of all the Treasury, can foretell whether the British economy is on the verge of continuing recession or faltering recovery. The interplay of forces pointing in either direction has never been more finely balanced.

Mr Lamont insisted on Thursday that the government can neither talk the economy out of recession nor "press a button and see the economy spring to life". But he also recognised that government has a key role to play in rebuilding confidence.

His promise of greater openness in economic policy-making is a useful adjunct to this goal. But the individual proposals – to set up a panel of independent economic forecasters to help inform the Treasury and give more information on monetary policy – are modest compared with provisions in countries such as the US where freedom of information is a right. And how accountable UK policy-making will be remains to be seen.

The sections of Mr Lamont's speech that most excited the chancellor's City audience were those about supporting infrastructure investment, putting capital spending at the top of public spending priorities and reviewing every policy option as to whether it would benefit industry. Although yesterday the chancellor played down the idea of a "dash for growth", the tone of his earlier remarks marked a significant break with Treasury rhetoric over the previous decade. The stress on public investment was redolent of the 1970s before Mrs (now Lady) Thatcher came to power.

But the lack of detail about specific projects also disappointed bankers and industrialists. This vagueness has boosted speculation that the Autumn Statement will be accompanied by a substantive "package of measures" – even a mini-Budget – to boost the economy and raise the morale of Conservative backbenchers.

The government's imprecision has so far only fostered uncertainty, bordering on perplexity. Mr Lamont spoke only of *maintaining* public spending on infrastructure in a time of recession, raising doubts in the building industry as to whether the planned moves would be sufficient to staunch rising unemployment and cuts in capacity in the sector.

His talk of finding ways to give the private sector a greater role in financing capital projects cut little ice. "How do you get the private sector involved in capital spending if companies are worried whether they are going bust or not?" asked Mr Keith Skeoch, chief economist at James Capel, the City stockbroker.

It is also debatable how far the government's promise to support capital programmes is compatible with its determination to hold its planned spending total at the preset level of £244.5bn for 1993-94.

In nominal terms, the planning total for the coming financial year is a generous 7.9 per cent more than the current year's planned spending. The faster than expected fall in inflation this year should mean that spending growth in real terms will be more than the 4 per cent increase estimated by the government in January.

On the other hand, existing spending plans assume that unemployment will average 2.4m in 1993-94. Since the summer, UK industry has been shedding labour at an accelerating rate, making it likely that unemployment will be about 3m by the new year. As every 100,000 extra on the average jobless total adds £345m to government spending in a financial year, government outlays on unemployment alone could be some £2bn more than anticipated in 1993-94.

In addition, the government will have to find money to finance redundancies in the coal industry, is under pressure to ease the introduction of the council tax, and faces ever-rising costs in the health and social security fields. While a freeze on public sector pay has been widely touted as a possible outcome of the Autumn Statement discussions, such a course of action is fraught with difficulty. Pay arrangements and bargaining procedures differ throughout the public sector. The government could find itself in confrontation with unions representing 3m public sector workers and face large-scale problems enforcing its will on the review bodies that recommend pay rises for a further 1.5m employees.

It is hardly surprising that the negotiations among ministers in EDX, the public spending committee chaired by Mr Lamont, are reportedly proving very difficult. It appears that no ministers disputed the need to keep within the 1993-94 planning total when spending plans were discussed in cabinet this week. But the decision to discuss public expenditure in the full cabinet on Monday points to serious difficulties in reaching a consensus on how share the burden.

From today's perspective, the government looks ill-placed to give substantial support to the economy through public works. Spending on some carefully selected projects – the extension of London's Jubilee Underground railway line is often mentioned in this context – could boost confidence. But short of a radical departure from existing policies – through short-term tax incentives, perhaps, which would have to be financed by increased borrowing – it is difficult to see how fiscal policy can meet the expectations being vested in it.

Those rising expectations summarise the problems that have confronted Mr Lamont and the Treasury in the six weeks since sterling left the ERM. Each faltering step in the so-called "rebalancing" of policy has been signalled in advance, stoking up hopes that have not been fulfilled.

It is always possible that the Autumn Statement will break this pattern, and, through measures as yet unknown, boost confidence and tip the UK in the direction of recovery. That would get the government off the hook. But for the UK economy as a whole, it would be only the beginning of a long rehabilitation after the inflationary excesses and de-industrialisation of the past 13 years.

MAN IN THE NEWS: ***Helmut Kohl***

Master of ceremonies

It was a good week for Chancellor Helmut Kohl.

The great survivor of German politics, the great prevaricator, master double-speak, and yet at the end of the day the one-and-only coalition leader, consensus-builder and unification chancellor, was in his element.

He came to the annual conference of his ruling Christian Democratic Union (CDU) in Düsseldorf looking bruised and embattled. Only a month before, the German press was writing him off, openly speculating about the imminence of a palace *putsch* and a grand coalition government with the opposition Social Democrats (SPD).

His popularity was on the floor, languishing behind the ratings of his greatest rivals such as Mr Björn Engholm, leader of the SPD and Mr Hans-Dietrich Genscher, the former foreign minister. Mr Kohl was accused of indecision and weak leadership, there was open grumbling in the party ranks, and deep divisions between the party barons from east and west Germany. Not to mention the gathering gloom on all sides of the German economy, as the hoped-for autumn revival slid towards a winter depression.

The celebrations of his 10 years as German chancellor, on October 1, had a decidedly half-hearted air, even if he did promise to decorate his office with a montage of all the newspaper headlines predicting his imminent demise.

Then he pulled a strange rabbit out of his conference hat, and it was enough to secure him re-election as party leader with acclamation, to see his proposals swept through, and his critics silenced.

It all added up to a brilliant piece of party stage-management.

It is not at all clear that the rabbit he produced will add up to any serious strategy to deal with the overwhelming problem in hand: how to pay for the soaring bill of German unification. Mr Kohl's proposal is to threaten in advance a tax rise in 1995 – conveniently after 1994, when the country faces no fewer than nine important elections – to bridge the spending gap.

Yet that could well add up to the worst of all solutions. The threat of a future tax rise may be enough to damage business and consumer confidence, and at the same time to undermine the will to save on the part of the 16 federal states, and all the local authorities, which need to trim their budgets. The proposal was certainly not well received either by German industry, or by Mr Theo Waigel, the finance minister and leader of the CDU's Bavaria-based sister party, the Christian Social Union (CSU).

Moreover, the chancellor's tax plan does not look likely to satisfy the other side of the political spectrum – the SPD and the trade unions – which Mr Kohl wishes to woo into a "solidarity pact" of wage and budget restraint to ease the pain of the coming years.

In the smoke-filled corridors of German political power-broking, however, it was a brilliant move to buy the Chancellor time – and a comforting conference. For the tax proposal bought off the pressure of his eastern members, who have been demanding instant action to pump in more cash to their bankrupt councils and companies. And it reassured the western members, who are desperate that their electors should not feel more tax pain from unification in the immediate future.

Mr Kohl is in his element at party conferences, recognising and fraternising with all the lowly ward chairmen and women from the grass roots, the old friends he has cultivated and stood by over the years. His easy bonhomie, elephantine memory for a face, and slightly mumbling man-of-the-people touch, together with a prodigious capacity to sink food and wine and reminiscences into the early hours, are what has reinforced his position as party leader since 1973.

This time, however, he knew it was not the moment for a celebration. Mr Kohl has been seeking to extricate himself for some time from his initial excessive optimism that unification might be accomplished without real pain.

"Some conferences are the right place for a speech of jubilation," he said afterwards. "This was not one of them."

The trouble was that it was vintage Kohl. No sooner had he given an apparently clear indication of the way forward, than he proceeded to muddy the waters, and leave everyone confused again. He talked not of "tax increases," but of "income improvements" – obviously referring to the income of the state, not of the benighted taxpayer. In the press bar, later, he insisted that "a tax rise would be pure poison for the economy".

Two days later, he delivered an off-the-cuff closing speech of quite bewildering ambiguity. No tax rises for two years. That was clear. And the savings were going to be tough. "When I say save, I mean save," he declared. And then immediately followed it with a gaping caveat: "We must admit that we do not always act in the same way as we speak."

He then proceeded to launch into a defence of state subsidies – be it for shipbuilding or the coal-mining industry – as an integral part of the German concept of a "social" market economy, as opposed to Lady Thatcher's idea of a pure market economy. "I rejected that [Thatcherite] approach, and I think what has happened since has proved me right," he said. Subsidy cuts must be seen "in the total context", whatever that may mean.

He is already manoeuvering for his next great challenge: to negotiate the solidarity pact, and keep on board not only his conservative coalition partners, but also bring in the trade unions and the SPD.

Yet Mr Kohl must never be underestimated, as Mr Volker Rühe, his former secretary-general and now ambitious defence minister, can tell. Mr Rühe came bottom of the poll in the vote for four deputy leaders at the congress, an ignominy he would never have suffered if the chancellor had cared to put in a good word for him.

But in recent weeks Mr Rühe has not disguised his desire to be the crown prince. He has been making nice noises to the SPD. He has talked out of turn on the unfair distribution of the burden of unification. Mr Kohl may be unclear in his speech-making. But he is quite ruthless in his treatment of precocious pretenders.

Quentin Peel

Selling the silver

Antony Thorncroft on English Heritage's planned disposals

Fort Cumberland stands on the foreshore at Portsmouth, an awesome monument to 19th-century Britain's determination to keep the French at bay. For years it has been derelict, unloved and unvisited, one of English Heritage's more tiresome responsibilities.

It was hardly surprising that, when Mr Jocelyn Stevens, chairman of English Heritage, announced this week his plan to dispose of about 200 of the 360 properties in the care of his organisation, Fort Cumberland was high on the hit list.

Mr Stevens was convinced that Hampshire County Council would be keen to acquire the fort; indeed that it might actually pay for the privilege. Here was an example of how the stewardship of minor relics from the past – ruined monasteries, derelict castles, remote pre-historic barrows – could successfully pass from distant London to proud local councils, or special interest groups.

Mr Freddie Emery-Wallis, leader of Hampshire County Council, does not quite see it this way. He would be quite happy to take on the fort, and what is left of bomb-damaged Portsmouth Royal Garrison Church, another potential casualty – but only if he gets extra money to do it.

Mr Stevens, however, has shown no enthusiasm to finance new custodians on a long-term basis, although some transitional funding seems inevitable.

"These sites are the responsibility of the government and English Heritage. I'm sure we could do a better job looking after them but we expect to receive financial assistance."

The White Horse at Uffington in Oxfordshire, probably an early Iron Age fertility symbol, is also on Mr Stevens yet-to-be-finalised list of disposals. The National Trust owns the adjacent downland and would be an obvious candidate to take over the horse. But, says Mr Warren Davis of the Trust: "We will not willingly take on an existing liability." The Trust administers the surrounding countryside on the understanding that English Heritage pays for the archaeological investigations and maintenance of the site. It would expect English Heritage to hand over money with a change of ownership.

There is, however, no mention of money in Mr Stevens' master plan, drawn up within six months of his arrival at English Heritage. Previously he had been rector of the Royal College of Art which he made more commercially minded, though at the cost of losing many of its top professors. He was given the job because the government felt English Heritage was a rather bloated bureaucracy, which cost £90m a year in subsidies. But it could be that Mr Stevens' overhaul has gone further than his pay-masters had anticipated.

Handing down heritage: 'a significant abdication by English Heritage of part of its responsibilities'

In his rush to shake things up Mr Stevens seems to have ignored consultation. Even English Heritage's Ancient Monuments Advisory Committee, headed by Sir David Wilson, former director of the British Museum, was kept in the dark about the changes. He has expressed dismay at the site disposals.

As well as upsetting the National Trust, whose chief executive has belatedly arranged a meeting with Mr Stevens next week, other interested parties are angry. Mr Neil Sinden, planning officer at the Council for the Protection of Rural England, sees it "as a very significant abdication by English Heritage of part of its responsibilities".

The National Heritage Memorial Fund, the other main guardian of the past, feels the reforms could have been handled more diplomatically. "It makes sense for piles of stones, which are the main sites that English Heritage wants to hand over, to be run at a local level rather than from London, but it has been sprung on the world," says Ms Georgina Nayler, director of the fund.

So does Mr Stevens faces an almost impossible task in unloading his surplus sites? He maintains that he would only negotiate with respectable proprietors and is "not keen on selling to entrepreneurs". He does not expect that business groups will be interested in taking on what are often obscure and out of the way relics. Indeed, it is hard to imagine many commercial interests willing to take on an Iron Age barrow in Dorset, for example.

There are now signs of retrenchment at the appropriately named Fortress House, the London home of English Heritage.

"We have an eight-year programme to dispose of the sites," says chief executive Ms Jennifer Page. "We will not hand over any site unless we are certain it can be safely managed and maintained."

English Heritage wants to concentrate its resources on a new agenda, on improving its more spectacular sites, such as Stonehenge, with almost 1m visitors a year. It plans to invest where there are people and tourists, on enhancing towns such as Bath and York, as well as such historic industrial areas as Halifax. It expects to spend more on restoring churches and cathedrals. But the money to invest in these chosen growth areas will not come from savings achieved by disposing of properties.

Even more than the planned disposals, Mr Stevens' critics are concerned by his decision to relinquish the powers over Grade II listed buildings in London which English Heritage inherited when the Greater London Council was abolished in 1986.

Its responsibility for protecting such buildings has proved valuable. When the Duke of Westminster wanted to demolish St George's Hospital at Hyde Park Corner (now the Lanesborough Hotel) English Heritage stiffened the resolve of Westminster Council. Mr Stevens expects the local boroughs to assume full responsibility for their historic buildings. But none has the resources and few the personnel to undertake the task.

Lambeth, for example, rate-capped and in terrible financial straits, cannot afford the luxury of conservation officers. "We are deeply concerned," says Janet Crook, chair of the environmental services committee. "I believe in safeguarding our heritage but the council is not going to cut the social services budget by £100,000 to find the funding. It's impossible for it to work."

Much of what Mr Stevens proposes is sensible. Who could complain if the Ivanhoe Trust wants to take over the remains of Conisborough Castle near Doncaster, where it already organises events? Some rationalisation of headquarters staff is also inevitable, although the speed with which the appeal for 100 redundancies has been met should worry Mr Stevens. The loss of 180 jobs among the direct labour force by April and its eventual privatisation is more disturbing, because of the dispersal of a team of skilled craftsmen.

But the real cause for concern in the drive to get the English Heritage workforce down from 1,600 to 1,000 must lie in the disappearance of the London specialists.

It is the speed with which the changes were announced, and the fear that they have been undertaken at the government's order, that most alarms the heritage lobby. English Heritage should quickly demonstrate cultural gains from the overhaul. It should, for example, confirm that it is contributing £1m to save the deteriorating Royal Crescent in Buxton.

At the moment it is in danger of losing the support of its 300,000 members, who are being asked to pay more in annual fees for access to fewer sites, as well as that of the heritage professionals. If these disparate groups were to join forces, they would make a powerful coalition of opponents.

Judy Dempsey on UN proposals to resolve Bosnia's ethnic conflict through decentralisation

War and pieces

The first tentative steps towards reaching a political settlement in Bosnia were taken earlier this week when Mr Cyrus Vance and Lord Owen, the joint chairmen of the Geneva conference, unveiled a draft constitutional plan for the former Yugoslav republic. It is an ambitious document which hinges on the principle that Bosnia's territorial integrity must remain intact, that the republic must not be carved up between Serbia and Croatia, and that ethnic cleansing should be reversed.

"The cantonisation of Bosnia into three regions, largely dominated by Croats and Serbs, will never be accepted," said Lord Owen in a recent interview. "Instead, we will work towards a decentralised republic consisting of about 10 provinces, each with a wide degree of autonomy covering the spheres of education, police, judiciary and local government."

Lord Owen insisted that the 10 regions would be anchored on the democratic principles of the rule of law. What remains unclear is how such principles would be implemented, or indeed how the fighting between the Moslems, Croats and Serbs could be stopped. More important, the criteria for drawing the proposed regional borders have yet to be agreed.

He stressed that "any family, mainly Moslems, who have been forced out, can return. Ethnic cleansing will be reversed. It will probably take about 20 years to achieve this. But we are not prepared to make the Moslems the new Jews of Europe."

Despite these well-meaning intentions, it is difficult to see how ethnic cleansing – the forcible expulsion of local populations along ethnic lines – will or can be reversed. The homes of many Bosnian Moslems have been destroyed by the Serbs precisely in order to prevent them from returning. Further, the peace plan does not guarantee the security of those who want to return. Above all, the hatred between the ethnic groups of the former Yugoslavia is now so intense that it is hard to imagine that Croats, Moslems and Serbs will want to live together again in Bosnia – or in any of the former Yugoslav republics.

A senior UN diplomat commented: "I fear it is already too late to save Bosnia. I do not know how it can be put back together again. I do not know know how the war can be contained."

But since the Geneva negotiators seem determined to prevent Bosnia becoming what Lord Owen called "another Lebanon", many Balkan specialists believe the newly created provinces should be given protectorate status.

"A UN protectorate, backed by outside police and judges, would mean that it would be impossible for Serbs and Croats to organise their own states within Bosnia," said Mr Zarko Puhovski, a political scientist at Zagreb University.

Ms Jane Sharpe, a defence specialist at the Institute for Public Policy Research, a London-based think-tank, concurs: "The provinces created for Moslems and Bosnians will be surrounded by authoritarian Croat and Serb-dominated provinces. The Moslems will feel vulnerable; they will need protection."

Ambitious plans: Cyrus Vance and Lord Owen

While the Geneva negotiators consider the issue of setting up protectorates in Bosnia, the international community is already being pushed into accepting ethnically pure regions throughout the former Yugoslavia as one of the prices of peace. "Whether we like to accept it or not, we have already turned a blind eye to the forcible transfer of populations, particularly the Moslems," the same UN diplomat said. "For the price of peace, it would not surprise me if the international community will tactily condone more movements of people, whether through force, or through negotiations," he added.

The prospect of Bosnia being divided along ethnically homogenous lines could, however, set dangerous precedents, not only for the rest of the former Yugoslavia, but for the countries of eastern Europe and the former Soviet Union.

"If the Serbs, or any other group in the region, can get away with it, potential dictators [elsewhere] can adopt the same methods with the aim of setting up their own ethnic states," said Mr Charles Dick, a defence expert at the Soviet Studies Research Centre at Sandhurst. "The point is that ethnic cleansing, and the transfer of populations in the former Yugoslavia, have been achieved through violence."

Mr James Gow, a Balkan specialist with the Centre for Defence Studies at Kings College, London, agrees: "If such mono-ethnic communities, originally established through force, are accepted at the Geneva peace conference, what will dissuade the ethnic Albanians from the Serb-controlled province of Kosovo, or any other minority from setting up their own ethnically pure states through the diktat of either precedent or force?"

These views are echoed by Mr George Schopflin, a lecturer at the London School of Economics. He believes a process of restricted citizenship based on ethnic background – which is now being implemented both in Croatia and in Serb and Croat-held regions of Bosnia – could be emulated by the governments of Azerbaijan, Armenia, and Moldova, Croatia, Slovakia and Romania, all of which are involved in ethnic disputes.

"The west is not helping to create the climate in which democratic habits can take root," he said. "The fledgling democratic institutions of these countries will be undermined because these new states will have been built on ethnic criteria, and not on democratic principles. That is why any precedent in establishing ethnically pure regions in the former Yugoslavia is not only dangerous, but it will lead to instability in the entire region."

The primary goal of the Geneva negotiators is to reach a settlement in Bosnia. How they define peace, however, is likely to have wider and more long-term implications.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Privatisation of Post Office ludicrous

From Mr Thomas J Pert.

Sir, The notion that privatisation of the Post Office is a desirable and "feasible" proposition ("Post Office privatisation 'feasible'", October 26) is ludicrous if one couples with it the idea that both the standard of service and employment levels are to be maintained.

Britain's Post Office evolved over 150 years to become the best in the world. Accountants with calculators cannot measure the negative welfare effect of dismembering the services it offers.

Sir Ronald Deering, the former chairman, knew this and said so – perhaps that is why the blinkered Thatcherite marketeers welcomed his departure.

The less profitable counters business provides both a service and a kind of life line for the least affluent sections of the community as both staff and customers will testify. Furthermore, sub-postmasters, who account for more than 70 per cent of the total business, have collectively invested £6bn in their businesses. The best way forward is to permit Post Office Counters to extend its services to include other money collection and financial services. The national network is ideally suited to do this.

Royal Mail Letters has consistently improved its performance and profitability while at the same time passing the benefits on to the public. In January 1977 a first-class letter cost 8½p compared with 24p at present – an increase of 282.35 per cent against a rise of 415.94 per cent in the retail prices index. Furthermore, postage rates have now been frozen until March 1993. Compare that with gas, electricity, water and telephone charges over a similar period.

Only supporters of madcap economics would propose the destruction of a proven and generally well-run public service. It should remain intact and be encouraged to utilise and develop new technology to provide an even better service.

Thomas J Pert,
sub-postmaster,
The Post Office,
High Street,
Marden, Tonbridge,
Kent TN12 9DP

Only a market-led regime will lead to lowest cost electricity

From Mr Peter Rost.

Sir, If the generators wish to slash the amount of coal they burn, that should be their decision. But they should be prepared to face the consequences in a genuine, not a rigged, market. The economic case for closing coal-fired power stations should be tested. Power stations which the duopoly (National Power and PowerGen) wants to scrap should be offered to other operators who wish to prove they can underprice the new gas-fired plant.

A market-led regime would ensure that only the lowest cost electricity is sold. It is the regulator's responsibility to establish such a competitive market. If gas-fired electricity is cheaper, then more pits may indeed have to close. But it is more likely that it would be some of the new gas-fired power that would be left unsold.

The government claims it wants a competitive energy policy. In that case the coal capacity which it is claimed cannot be sold should also be subjected to the market test. Other willing operators should be encouraged to take over the pits which British Coal claims are not viable, but which others believe can be operated at lower cost. Why are they being prevented from putting their money where their mouths are?

Then we would preserve a fairer market for coal, saving pits and jobs. The economy would benefit from lower cost coal and our hard-pressed industry would see lower priced electricity. Proper market forces would slow down the dash for gas, so easing the upward pressure on its price to the additional advantage of energy-intensive users.

Peter Rost,
chairman,
Major Energy Users' Council,
9 Cork Street,
London W1X 1PD

A lesson for teacher to reflect on

From Mr Nicholas Rettie.

Sir, I was dismayed to read of the prominence given to the views expressed by Mr Peter Owen, chairman of the Independent Schools Association, in your report, "UK schools at bottom of class" (October 28).

I would make no claim to pass judgment on the competitive position of the education system in Britain as opposed to those of our European neighbours and I am sure that there are many aspects that could and should be improved upon. My main experience of the education system has been in working with schools, assisting them with careers work. Owen's contemptuous estimation of the work of the waiter reveals much about his own lack of understanding of the world for which he is supposed to be preparing his pupils. Next time he visits a restaurant, he may care to reflect upon the craft skills, organisational ability and social skills required to perform what ought to be a valued and respected profession.

Nicholas Rettie,
general manager,
The Halkin Hotel,
Halkin Street,
Belgravia,
London SW1X 7DJ

Precedent for belt-tightening

From Mr Adolf G Jonker.

Sir, I was interested in Barry Riley's remarks (The Long View, October 24) where he says that "... devaluation only works if real incomes are cut"; and at the end of the same paragraph "... that British employees fiercely resist nominal pay cuts".

In the Netherlands, such cuts have been made in the past – for instance, in 1951, the early 1980s and possibly even now. The system of tripartite wage negotiations (government, employees' and employers' federations) seems to have helped.

Should you wish to talk to the ministry of finance in the Hague about it, the key words to use would probably be "bestedings-beperking" and "inleveren", meaning roughly "scaling down expenditure" and "temporary belt-tightening by everyone".

Adolf G Jonker,
17 Croughton Road,
Aynho nr Banbury,
Oxon OX17 3BE

Nothing free

From Mr John Richards.

Sir, I fail to see (Observer, "Short changed", October 29) why a tradesman should expect to get change from a bank, free of charge, when he does not bank there. Banks have no statutory duty to give change to all and sundry – and a cashier's time is money. I agree the fruiterer should have been told of the charge beforehand.

John Richards,
74 Cross Deep,
Twickenham TW1 4RB

University research outlook

From Dr J Barlow and Dr S Halford.

Sir, The recent report by the Royal Society, The Future of the Science Base (Technically Speaking: "Time to act on careers in research", October 27), raises many timely questions about the future of all research in British universities.

The lack of a sustainable career structure coupled with the constant search for new funding and the effects of this on researchers' productivity are all features of the social sciences as well as the natural sciences.

Like the natural sciences, the current system promotes high turnover. This severely impedes the development of long-term research programmes as highly experienced researchers leave full-time research in higher education and the cumulative knowledge from past research is lost.

While these points are obviously critical to individual researchers attempting to build careers, the current problems also have significant implications for the financial well-being of educational institutions. Under new funding arrangements, university income is increasingly tied to research standing.

There is clearly an urgent need for a radical overhaul of the position of contract research in higher education. It is imperative that the universities and the major funding bodies embark on a joint investigation into the future of research in the natural sciences, social sciences and the humanities.

J Barlow,
University of Sussex,
S Halford,
University of Southampton

Government finances finite?

From G M Armitage.

Sir, I read with considerable interest Joe Rogaly's article "Deep mine of discontent" (October 17), but there is one point which seems particularly bothersome in the present economic mess we are in, and that is the state of the government's own finances.

The extent to which the National Debt is doomed to increase, and the ongoing reliance on a continuing high level of new borrowing by the government, would seem to raise the spectre in the not-too-distant future of government being unable to meet its commitments when borrowings mature owing to its inability to obtain yet further borrowings.

I would be delighted to hear that this is an impossible situation, but is it? If a government can see nothing wrong in a prime minister and a chancellor stating assertively that there will be no devaluation, permitting overseas investment in gilts on the back of that promise, and then allowing the chancellor to remain in office after devaluation has taken place, it would seem entirely comprehensible that it might welsh on its debts.

If it did not want to tell overseas investors they could not have their money back, it would be a simple domestic matter to tell domestic investors in National Savings products and gilts that the substance of their investments would not be repaid, pleading *force majeure*.

Or am I being too fanciful? I hope so for the sake of my remaining years of retirement.

G M Armitage,
99 Overstrand Road,
Cromer,
Norfolk NR27 0DJ

Pound's fall fails to deflect proposed links with Elsevier

Reed merger terms adjusted

By Andrew Bolger and Raymond Snoddy

STERLING'S plunge since Britain left the ERM has altered the terms of the proposed merger between Reed International and Elsevier of the Netherlands, which will create one of the world's biggest publishers.

Reed's indirect interest in the Dutch group, granted to reflect the UK group's larger market value, will now be 5.8 per cent, rather than the 11.5 per cent suggested when the deal was first announced on September 17.

Mr Peter Davis, chairman of Reed, said neither group had been deflected by the recent currency volatility: "We just kept our nerve, kept our heads down and got on with it."

The combined group, Reed Elsevier, will have a market capitalisation of about £6bn. The merger, to take effect on January 1, will be on a 50-50 basis without any premium to either set of shareholders, and both Reed and Elsevier will keep separate stock exchange listings.

The market welcomed yesterday's announcement, with Reed shares advancing 7p to 582p, and Elsevier's shares closing in Amsterdam up Fl 2 to Fl 112.

The change in the size of the cross-holding means that for income purposes one Elsevier share will have equivalent economic benefits to 7.69 Reed shares, rather than the initial figure of 6.86. Both companies will pay gross dividends on this 1:7.69 equalisation ratio.

A bleary-eyed Mr Davis said the final terms of the deal had been settled yesterday "after complex analysis by the professionals and then – at the end – a bit of horse-trading in the middle of the night".

The merged group is forecast to make pre-tax profits of £430m in the year to December 31 on turnover of £2.46bn, and have interest cover of 16 times.

Strong cashflow of £442m and low borrowings will allow Reed Elsevier to make acquisitions. The merged company could have £1bn available and potential purchases are already being jointly studied.

A bid will be submitted for Official Airline Guides, the business bought by Mr Robert Maxwell from Dun & Bradstreet for $750m in 1988, although this is seen as a useful addition to the merged group's existing travel information businesses rather than a strategic necessity.

Reed International has already identified business and professional publishing as its top priority for the future, an emphasis which will fit well with the Elsevier approach.

Acquisitions in professional areas such as the law in continental Europe are now likely. In the past Reed has looked at such expansion but drawn back because of lack of knowledge of particular European markets.

Reed said the merger would cost between £30m and £35m in advisers' and listings fees, reflecting the fact that the enlarged group will operate in the 43 countries. However, the group believes that a combination of operational and tax savings will recoup that amount within 18 months.

The merged group will set up a combined treasury and finance operation in Switzerland, although Reed will continue a significant operation in London. Mr Nigel Stapleton, Reed's finance director, said he was confident that the effect of the merger would be to reduce the group's tax rate by between 0.5 percentage point and 1 percentage point a year.

Mr Davis said there was scope for some cost savings, but emphasised that the merger was not driven by these considerations. Areas of overlap which are likely to be combined into single divisions are in US business magazines, UK scientific publications and medical publishing.

Management links between the two companies are already increasing in number in advance of formal confirmation of the merger and Mr Davis believes Reed and Elsevier are similar in approach and culture.

"We are 85 per cent there in terms of culture, style and temperament," Mr Davis said yesterday.

As the shareholders of both Reed and Elsevier start to digest their merger circulars the intensity of two-way traffic between London and Amsterdam is already increasing.

"There will be contact at all levels. It's already much more than we thought," Mr Davis said.

See Lex

Profits advance 10% on flat turnover

By Andrew Bolger

REED International, the publisher, increased its interim pre-tax profits by 10 per cent to £94m despite what it said were very difficult market conditions.

Turnover was flat at £758.6m (£760.8m) in the six months to September 30. Reed said the increase in pre-tax profits understated the underlying trading improvement because of changes in the timing of operating profits and lower disposal gains.

Operating profit showed a double-digit improvement in three business segments which bore the brunt of the economic downturn during the past two years – consumer publishing, up 60 per cent; business-to-business, up 13 per cent; and books, which rose 17 per cent.

Mr Peter Davis, chairman, said: "Unfortunately I am not able to report any signs of economic recovery. Only in US business advertising has there been any upturn, but this is relatively weak and the improvements so far could be reversed if there is a setback to business confidence.

"In the UK we must now be concerned that unless the government is able to re-establish confidence in its economic policies, there will be a further decline in a number of our markets, instead of the hoped-for recovery."

Earnings per share rose 8 per cent to 11.7p (10.8p). The interim dividend was increased by 5 per cent to 5p.

As a result of the proposed merger with Elsevier, Reed will change its year-end to December 31, and its result for a nine-month period will be announced in March.

Mountleigh in £124m Spanish disposal

By Peter Bruce in Madrid

KPMG PEAT Marwick, the international auditing firm acting as receivers for the Mountleigh property group, has sold Galerias Preciados, Spain's second biggest department store chain and Mountleigh's largest single asset, to a group of Spanish investors for Pta21.2bn (£124m).

Mr Tim Hayward, the receiver, said Galerias accounted for about 25 per cent of Mountleigh's assets; that meant that about a third of its total had now been sold.

He was in no hurry to dispose of the entire portfolio. He was prepared to wait for some recovery in the UK property market rather than sell too cheaply those assets that were producing income.

Although Galerias had been sold for less than it was worth – with 29 stores throughout Spain some analysts in Madrid were yesterday calling the sale price a giveaway – Mr Hayward had accepted the best price offered. Serious negotiations had been intiated with at least six other potential buyers since Mountleigh went into receivership last May.

Galerias has been bought by a consortium lead by Mr Fernando Sada Gonzalez-Breto, Mr Justo Lopez-Tello Camara, who each have 36 per cent stakes, and Mr Santiago de Mollinedo Martinez, with 12 per cent.

The rest of the shares will be distributed among other as yet unnamed directors. Mr Lopez-Tello, the best known of the three, is the majority shareholder in Mantequerias Leonesas, an upmarket supermarket chain which already has space in some Galerias stores.

The three men would not disclose who was financing their acquisition and Mr Hayward was unwilling to say when he would be paid. Ironically, the biggest creditor of Galerias is Mountleigh itself, having guaranteed loans to Galerias worth about £85m in the last two years.

Mr Hayward said Galerias had made "substantial" losses so far this year but the buyers said they hoped to bring it back to profit within three years. The group is thought to have incurred losses of some Pta3.8bn.

Their determination to hold the group intact will frustrate a number of foreign retailers, including Marks & Spencer, who had hoped to be able to expand in Spain by buying some of Galerias' prime sites in major cities.

'Disastrous' write downs push Control Sec to £192m net loss

By Maggie Urry

ASSET write downs at Control Securities of nearly £250m were "disastrous by any standards" according to Mr Sydney Robin, who took up the role of temporary executive chairman of the property, hotels, brewing and pubs group in April "with some natural caution and reluctance".

Mr Robin joined on the dismissal of Mr Nazmu Virani, former chairman and chief executive, following his arrest on charges related to the BCCI collapse in March. Mr John Kersiake joined as finance director six weeks ago, and a shortlist for the job of chief executive has been drawn up although an appointment is unlikely until the group's talks with its bankers are successfully concluded.

The write downs covering the year to end March cut net assets from £293.5m to £37.6m and caused a net loss of £192.4m (£4.1m) or 51.8p (1.1p) per share. The accounts were prepared on a going concern basis, as the group cannot continue to trade without the support of its banks and bondholders which are owed a total of £259m.

The group is presenting a business plan to its bank creditors on Monday. The bank loans and overdrafts of £182m are secured on the group's assets which are still valued at substantially more than that.

Control's shares were suspended a year ago at 16½p when the Serious Fraud Office raided the company's offices. The group hopes to have them relisted once the business plan has been agreed, possibly early in the new year.

Mr Robin told shareholders: "Let me emphasise that your company is not now and has not been the subject of investigation by the SFO." The group spent £467,000 to establish that deals between the group, BCCI and other parties had been on an arm's length basis.

Mr Robin said the group had been "in public disarray" which had damaged the trading businesses such as the Belhaven brewery.

Results for the year showed a fall in turnover from £130.6m to £97.9m, and a drop in trading profits from £36.1m to £24.4m, insufficient to cover interest charges of £27.3m (£21.2m). The group's property trading activities suffered in the recession but profits from the brewery and the pub estate rose, while those of the Spanish hotel operations were slightly down.

Exceptional costs, including write downs of property and investments, including a £11.5m provision for the fall in value of the stake in Stylo, the loss-making footwear group, amounted to £193.4m (£18.2m).

Hoskins Brewery board near to thwarting rebels

By Roland Rudd

THE BOARD OF Hoskins Brewery, the Leicester-based real ale brewer, yesterday said it had almost amassed sufficient support to thwart attempts by rebel shareholders to change the board.

And at yesterday's annual meeting the board commanded more than 60 per cent of the support of shareholders who were voting on a number of issues.

But a vocal minority, led by Mr Richard Cattermole, denied Hoskins the 75 per cent support required to pass a special resolution authorising the company to issue new shares to make selective acquisitions.

The dissidents want to remove Mr Barrie Hoar, chairman, and his brother, Mr Robert Hoar, from the board.

Resolutions to replace the brothers, whose family holds 30 per cent of Hoskins, with Mr Cattermole, head of Ryan Elizabeth, a pubs and hotels operator, and one of his associates, will be put to the vote at an EGM on November 18.

Mr Cattermole said: "It is meaningless of Mr Barrie to boast of having almost half the votes already since shareholders can change their minds right up and at the EGM."

The EGM is likely to be a bruising affair judging by yesterday's annual meeting.

The brewery was accused of "skullduggery" and "unfair play" by some of the dissidents when one of their members, Mr Norman Blyth, had his proxy vote ruled out of order.

Although he is chairman of Caswan Properties, which has a 3.1 per cent stake in the brewery, Hoskins said Mr Blyth had no written authorisation from his company to cast his vote on its behalf.

Mr Hoar, who for a large part of the AGM was barely audible, was criticised for selling nine pubs for £2.45m to Wolverhampton & Dudley Breweries, leaving it with its brewery and seven houses. The deal, however, eliminated borrowings. Hoskins now has cash of about £750,000.

Hoskins reported pre-tax profits of £83,060 last year, but extraordinary charges reduced the attributable gain to £16,625.

Tomkins buys shares in RHM

By Maggie Urry

TOMKINS, the industrial group which entered the bidding for Ranks Hovis McDougall on Thursday, bought RHM shares worth nearly £16m in the market that day. Yesterday RHM's shares rose 3p to 275p, just out of reach of Tomkins' offer price.

Hanson, RHM's rival suitor, does not have any shares in its target. Hanson was yesterday considering whether to increase its offer to top Tomkins or to walk away.

Tomkins' shares, which fell heavily on Thursday were unchanged yesterday at 212p, only 12p above the price for the rights issue, launched to help finance the acquisition.

Tomkins bought 2.59m shares at 260p, the level of its cash offer, and another 3.37m shares at 269.54p, the maximum price it can pay in the market, which includes the 9.54p dividend RHM has promised its shareholders.

Added to the 14,000 shares it already held, Tomkins has a 1.68 per cent stake in RHM, the milling, baking and grocery products group, which has recommended the Tomkins bid.

Gresham House problems mount with £1.5m deficit

By Angus Foster

GRESHAM House, the investment trust with negative net assets after two years of losses, watched its problems mount in the six months to June 30.

Gresham, unrelated to venture capital company Gresham Trust, reported losses attributable to shareholders of £1.5m during the period, compared to losses of £2.63m a year ago.

In a statement, Mr Alfred Stirling, chairman, said losses would continue unless a refinancing, now under negotiation, could be concluded with banks and financial institutions.

"Slow progress is being made and there is no certainty that it will be successfully concluded," he said. "Failure is likely to prove fatal."

Gresham's troubles stem from investments in property and unquoted companies, two of the most dangerous areas for investment trusts during the recession. The company has been forced to sell most of its non-property assets to pay off debts, leading to a sharp fall in income.

Net income fell from £420,000 to £270,000. But interest costs dropped from £1.2m to £787,000. Exceptional losses totalled £982,000. But there was no explanation as to how the losses were incurred.

No one at Gresham's offices was available to comment.

Gresham is being sued for £1m for placing into receivership a subsidiary. Court rulings have gone against Gresham, which plans to appeal to the House of Lords next year.

There was a loss per share of 35.3p, an improvement on last time's 61.9p. No dividend is paid. Group net asset value, which stood at minus 18p at December 31, continued to deteriorate, Mr Stirling's statement said.

The shares fell from 3p to 1¾p yesterday.

Manganese dividend held despite £2.45m losses

By Richard Gourlay

MANGANESE Bronze Holdings, maker of black taxi cabs, suffered a full year loss of £2.45m after the closure of the Darlington foundry in March. This compared with a £949,000 deficit previously.

A loss, however, of £531,000 on continuing businesses in 1991 was turned into a profit of £498,000.

The pre-tax loss was struck on sales up 2 per cent at £71.17m. The group incurred a loss of £2.62m on discontinued operations.

As a result, the loss per share increased from 3.78p to 12.27p but the company will maintain a dividend of 1p.

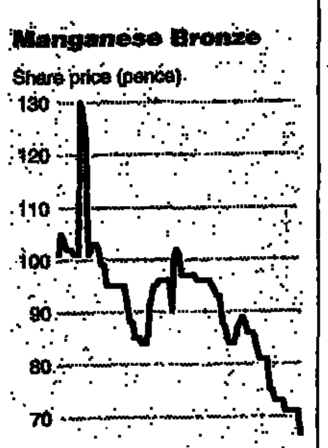
Mr Jamie Borwick, chief executive, said despite the recession the company made substantial progress, adding what it needs most is more demand for taxis.

"There are a lot of yellow lights on every street corner," he said. "Taxi drivers are having to work much harder for the same money."

Manganese Bronze makes 32 taxis a week, down from 45 this time last year and 60 in 1990.

Operating losses in the vehicles division were reduced from £1.33m to £310,000 on sales of £40.71m; powder metals nearly doubled profits to £1.14m on sales 26 per cent higher through organic growth at £16.58m. The profits from two profitable foundries were offset by losses at a bus and railway door business. The division moved from profits of £177,000 into losses of £336,000.

Gearing was held to 19 per cent, up from 12 per cent, despite capital expenditure of £2.7m, more than 1.4 times the depreciation charge.



Falling gold prices keep Monarch earnings in red

By Kenneth Gooding, Mining Correspondent

LOWER GOLD prices and reduced output kept Monarch Resources, the London-quoted mining and exploration company with operations in Venezuela, in the red in the first half of 1992. The pre-tax loss was US$1.87m or 12.8 cents, compared with $1.88m or 13.3 cents in 1991.

Gold production was 11,561 troy ounces, in line with the corresponding 11,723 ounces but well below the 13,771 ounces achieved in the second half of last year. The drop was due to a reduction in economically available raw material for the company's Revemin plant in Venezuela.

Mr Tony Ciali, chief executive, said Revemin also suffered from increased costs, mainly due to inflation. This left the plant with an operating loss of $437,000 in the period ($14,000 loss) and an operating cash flow deficit of $50,000 ($509,000 surplus).

Management was urgently looking for new sources of material to feed the plant, he added.

In July, Monarch raised £20m through a rights issue, principally to fund the 24-month development of the La Camorra gold project in Venezuela. Mr Michael Beckett, chairman, said development was on schedule and under budget so far. A general manager started work in August.

TDS Circuits lifts exports by 89%

TDS Circuits, the printed circuits board manufacturer, reduced pre-tax losses from £595,000 to £488,000 for the six months ended August 31.

Turnover of the Lancashire-based company increased 18 per cent to £3.46m (£2.92m), while exports jumped 89 per cent to £2.24m (£1.18m).

Losses per share were 7.08p (8.28p).

Booker buys cash and carry in Spain

Booker, the food distribution and agribusiness group, is expanding further in southern Europe with the acquisition of a cash and carry business near Barcelona, Spain.

The deal follows last year's purchase of an interest in a food wholesaler in Portugal. The group is keen to build up the business in southern Europe.

The purchase, for £2.2m plus stock, is of a one outlet operation which in 1991 made pre-tax profits of £765,000 on sales of £42.4m. Booker said that the management and systems were capable of supporting a number of additional outlets.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Beverley ....int	nil	-	0.625	-	0.625
British Assets ....fin	1.07	Jan 7	1.04	4.19	4.04
Contra-Cyclical ....int	2.25‡	Nov 30	2.25	-	11.25
Control Secs ....fin	nil	-	0.15	-	0.7
Investors Capit ....fin	1.275	Dec 11	1.275	5.1	5.05
Manganese Bronze..fin	1	Dec 10	1	1	1
Office Electron ....int	0.1	Dec 9	0.1	-	0.1
Reed Intl ....int	5.5	Jan 8	5.25	-	16
TR Far East Inc ....fin	1.2	Jan 4	1.1	4.5	4.2
TSW ....int	2	Dec 22	-	-	7‡‡

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Making 4.5p to date. ‡‡For 17 months.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amt Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§	F.P.	-	201	180	Clutch Security	187	+1	L2.8	2.9	2.0	20.7
165	F.P.	-	213	193	Dorling Kindersley	213		L3.0	2.6	1.9	20.4
-	F.P.	-	102	100	For & Col. PEP Inv Tst	102		F3.38	-	4.4	-
-	F.P.	-	33	31	Jos Hldgs Cap	33		-	-	-	-
-	F.P.	-	92	90	Do. Inc.	92		F11.5	-	16.7	-
-	F.P.	-	104	101	Do. Zero Div. Pf.	103½	+½	-	-	-	-
130	F.P.	-	158	140	Linx Printing Techs.	148	-1	L2.6	2.8	2.3	17.6
120	F.P.	-	192	157	♦Tepnel Diagnostics	172	-1	-	-	-	-
120	F.P.	-	137	126	Trinity	137		R5.4	1.9	5.4	12.9
45	F.P.	-	51	47	Vardon	49		b0.75	5.3	2.0	12.3
165	F.P.	-	172	167	Wetherspoon (J.D.)	167		W4.8	2.6	3.8	13.5
165	F.P.	-	168	160½	Do. A/L	166		W4.8	2.6	3.9	13.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
-	F.P.	-	105p	104¼p	Bristol Water 8¾pc Pf	105p	
100p	F.P.	-	110½p	105½p	Falcrum Inv Tst Zero Div Pf	110½p	+¼
100	F.P.	-	106¼	104¼	NFC 7¼pc Cv. Bd 2007	106¼	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
78	Nil	10/11	1½pm	1¼pm	Capital Inds	1¼pm	
295	Nil	1/12	45pm	27pm	Greenalls	28pm	
150	Nil	-	80pm	68pm	♦Haemocell	72pm	
335	Nil	22/12	52pm	10pm	Wagon Ind	10pm	-2

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium

TRADITIONAL OPTIONS

- First Dealings Oct. 26
- Last Dealings Nov. 6
- Last Declarations Jan. 28
- For settlement Feb. 8

3-month call rate indications are shown on page 11.

Calls in BTR warrants '93/94, Dorling Kindersley, Gestetner, NSM, Ramco Oil Servs., Royal Insce. and Tomkins. Put in NSM. Double in Tarmac.

NEWS DIGEST

TSW in the black after cost savings

TSW – Television South West Holdings has turned round from a loss of £1.88m to a pre-tax profit of £1.47m in the first half of 1992, and is paying an interim dividend of 2p.

However, the retained loss went up from £1.06m to £3.61m as the company provided extraordinary charges of £4.52m arising from the cessation of broadcasting on December 31 last. They covered decreases in property values and equipment £3.86m, and additional redundancy and pension costs £1.21m.

While turnover remained static at £18.7m, reflecting the state of the economy and national advertising revenue, costs were reduced by £2m. Sales in the second half were expected to be maintained.

Earnings per share for the period were 4.2p (losses 4.8p).

French Connection improvement

French Connection, the fashion clothing group, returned to an operating profit in the half year ended July 31, and the improvement has continued into August and September.

The group was cautiously optimistic about prospects. The 1992 winter collection had been well received by wholesalers and retail sales were encouraging, said Mr Terence Wardale, the chairman.

In the half year the group cut its pre-tax loss from £4.99m to £535,000 and finished with losses per share of 4.9p (31.8p). Again there will be no dividend for the full year.

There was an operating profit of £903,000 (loss £1.43m) on reduced turnover, while exceptional charges fell to £777,000 (£2.74m), being closure costs of Western Jeans and Future Classics £473,000 and reorganisation in the UK and France absorbing £304,000.

Turnover was £22.5m (£25.3m), reflecting a reduction of £2.4m from businesses sold or discontinued.

Platon improves to show profit

Platon International, the maker of flow, level and pressure measuring and controlling instruments, has started to recover, reporting a pre-tax profit of £12,000 in the half year ended October 2 1992.

That compared with losses of £299,000 in the corresponding period and with £248,000 in the preceding six months.

In the latest period a deficit of £200,000 was incurred in April and May, but June-September produced a profit of £212,000. Prospects for the second half looked encouraging, the directors claimed.

Orders received in the period increased by £1m to £4.7m. Sales were up 20 per cent to £4.2m, with the UK ahead 12 per cent and Europe 28 per cent.

Gearing remained "unacceptably high" at 98 per cent, but a number of cash raising measures had recently been taken.

Losses per share in the half year were 0.1p (2.8p).

Weak prices leave Utd Energy in loss

United Energy blamed weak oil and gas prices and unfavourable exchange rates for pre-tax losses of £52,000 for the six months to June 30, compared with profits of £91,000. For the full 1991 year, however, there were losses of £127,000.

The result was despite an increase in turnover from £160,000 to £834,000. The figures included only a partial contribution from AmBrit International, which was acquired in February.

The comparable figure was assisted by exceptional gains of £185,000 and net interest received of £42,000 whereas in the period under review there was a charge of £5,000. Losses per share came out at 0.2p (earnings 0.8p).

Mr John Billington, chairman, said that the recent improvement in exchange rates, firmer oil and gas prices and increasing production volumes made the USM-quoted company cautiously optimistic.

Exceptional gains boost OEM figures

An increase in exceptional income has enabled Office and Electronic Machines to raise its pre-tax profit from £14,000 to £267,000 for the first half of 1992.

Turnover fell to £767,000 (£1.34m, including £615,000 for discontinued business) and the operating loss rose to £390,000 (£341,000, of which £144,000 discontinued). The pension fund refund, less reorganisation provision, contributed £587,000 (£273,000).

Mr Richard Noonan, chairman, said trading in retail operations was marginally better in money terms and virtually unchanged in real terms.

It remained the case that the business was too small to be viable in the present economic conditions. The operating loss of continuing business rose partly because margins had suffered and costs had risen, and partly because of the increased costs as the company explored various possibilities.

After a tax charge of £351,000 (£2,000) losses per share came to 1.4p (earnings 0.2p). The interim dividend is again 0.1p.

Net asset value falls at Contra-Cyclical

Net asset value per capital share for Contra-Cyclical Investment Trust fell to 26.2p at September 30, against 53.3p a year earlier.

However the figures per income share improved from 1p to 3.7p and for the zero dividend preferred shares from 52.9p to 59p.

The trust, chaired by Sir Alan Walters, is paying an unchanged second interim dividend of 2.25p making a maintained total for the year so far of 4.5p.

Net revenue for the six months to the end of September was £451,000, against £681,000 for the period from February 26 to September 30 1991. Earnings per income share were 5.64p (8.51p).

Meeting rallies Rank shares 12p

By Angus Foster

SHARES in Rank Organisation, the leisure group, gained 12p to 586p yesterday after the company held a well-received meeting with analysts ahead of its financial year-end today.

Rank said trading conditions had hardly changed since July, with the company remaining cautious about any upturn. There were, however, signs of improvement in the US. Rank's video distribution division, while still loss making, had improved its trading levels from last year.

In the past, Rank has held a series of individual meetings with analysts ahead of its "close" season. This runs from the financial year-end to the announcement of results, expected in January.

But the company decided to brief analysts, and release a trading update, at the same time. "We felt it was much fairer," said Mr Nigel Turnbull, finance director.

Mr Max Dolding, analyst at James Capel, said the meeting went well, although little new information was provided. The broker is leaving its profits forecast unchanged at £243.5m.

Despite falling through the year, Rank's borrowings are set to increase sharply to about £1bn. About 60 per cent of borrowings are US$ denominated, rising at year end.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 31.10.92: Pool purchase price £/MWh	Final Prices for Trading on 03.10.92: Pool purchase price £/MWh	Final Prices for Trading on 03.10.92: Pool selling price £/MWh
0030	20.32	19.88	21.84
0100	26.14	18.49	20.40
0130	27.99	18.49	20.42
0200	27.99	18.49	20.40
0230	21.52	18.49	20.40
0300	21.52	17.70	17.70
0330	20.30	17.69	17.69
0400	20.32	17.69	17.69
0430	17.72	17.58	17.58
0500	17.71	17.58	17.58
0530	17.72	17.46	17.46
0600	17.72	17.46	17.46
0630	17.72	17.46	17.46
0700	18.40	21.09	23.26
0730	18.70	20.70	22.75
0800	20.39	21.94	24.00
0830	22.34	22.54	24.62
0900	22.64	24.50	26.64
0930	23.99	24.60	26.63
1000	26.91	25.99	28.18
1030	26.91	25.99	28.10
1100	23.99	25.99	28.07
1130	22.85	24.60	26.55
1200	26.75	24.60	26.59
1230	29.36	24.60	26.56
1300	26.75	24.50	26.57
1330	22.85	24.60	26.58
1400	20.30	17.71	17.71
1430	18.20	17.69	17.69
1500	17.72	17.59	17.59
1530	17.72	17.64	17.64
1600	18.70	17.64	17.64
1630	20.00	17.70	17.70
1700	27.42	17.73	17.73
1730	26.01	24.50	26.57
1800	28.01	24.50	26.56
1830	27.42	24.50	26.56
1900	25.36	24.84	26.89
1930	24.96	28.04	30.16
2000	23.67	28.04	30.16
2030	22.34	28.00	30.15
2100	22.17	24.84	26.92
2130	21.44	24.84	26.92
2200	20.18	23.09	25.13
2230	18.40	21.83	23.84
2300	18.00	20.98	22.97
2330	17.70	20.98	22.97
2400	17.70	20.42	22.40

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

ECONOMIC DIARY

MONDAY: US NAPM (October); construction expenditures (September). Mr Theo Waigel, German finance minister, visits Russia.

TUESDAY: US presidential election. UK official reserves (October). US leading indicators (September); productivity and costs (September). Two-day meeting of GATT ruling council begins in Geneva. European Community consumer affairs council meets in Brussels. German chambers of commerce autumn survey. Fifth joint session of federal parliament in Prague to discuss laws on division of property and the dissolution of the federation. Financial Times Conferences holds conference "New challenges for Europe's oil refining and process industries" at the RAI International Congress Centre in Amsterdam. Three-day "Environasia 92" conference opens in Singapore.

WEDNESDAY: House of Commons expected to hold a one-day debate on the European Community Maastricht Treaty on economic, monetary and political union. Overseas travel and tourism (August). Advance energy statistics (September). Housing starts and completions (September). US factory orders (September). German unemployment (October). Russia's constitutional court resumes hearings into the legality of a ban by Mr Boris Yeltsin, president, on the Communist Party.

THURSDAY: Details of employment, unemployment, earnings, prices and other indicators. New earnings survey 1992 part D; analyses by occupation. Cyclical indicators for the UK economy (October - first estimate). US jobless claims.

FRIDAY: Insolvency statistics (third quarter). European Community trade council meets at Brockett Hall. Meeting of countries linked by the Schengen Treaty on free movement of people and immigration matters in Madrid. Labour's European conference.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Oct 30 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Thu Oct 29 Index No.	Wed Oct 28 Index No.	Tue Oct 27 Index No.	Year ago (approx) Index No.	1992 High		1992 Low		Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (175)	759.33	+0.5	7.47	5.76	17.46	28.80	755.30	761.46	765.82	816.65	929.04	20/5	664.23	9/9	1038.07 16/7/87	50.71 13/12/74
2 Building Materials (23)	755.94	+0.8	6.93	7.23	20.44	35.72	750.06	740.79	735.94	1009.10	1121.52	11/5	617.65	9/9	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction (26)	643.45	+1.3	3.13	7.74	254.36	36.21	634.93	634.33	631.88	1077.94	1069.64	11/5	485.72	9/9	1951.50 16/7/87	71.48 2/12/74
4 Electricals (9)	2025.45	+0.3	8.21	7.43	16.09	108.10	2019.09	2046.42	2101.20	2486.08	2758.50	22/5	1874.89	20/10	3040.80 8/9/89	84.71 25/6/62
5 Electronics (27)	2054.06	+0.3	7.94	4.15	15.85	47.93	2048.53	2056.57	2063.40	1719.65	2111.16	13/10	1655.93	13/1	2308.22 19/5/89	1229.01 8/10/85
6 Engineering-Aerospace (6)	285.14	+0.8	12.42	8.23	10.25	13.70	282.74	284.71	284.59	353.54	406.10	20/5	273.62	28/9	502.42 13/6/90	273.62 28/9/92
7 Engineering-General (43)	438.09	-0.6	9.02	5.35	14.18	15.75	440.53	442.68	447.08	490.08	567.62	20/5	409.31	9/9	567.62 20/5/92	339.57 23/1/91
8 Metals and Metal Forming (7)	267.46	-2.2	6.50	8.18	22.38	7.52	273.56	278.78	280.60	428.47	379.31	18/5	255.51	8/9	596.67 9/10/87	49.65 6/1/75
9 Motors (15)	314.13	+0.6	6.48	7.49	22.50	17.59	312.16	314.81	316.49	336.10	403.06	21/5	274.42	1/9	411.42 13/10/87	19.91 6/1/75
10 Other Industrials (19)	1763.81	+1.1	7.08	4.74	17.08	60.38	1744.79	1780.36	1800.23	1576.05	1906.65	11/5	1480.17	9/9	1906.65 11/5/92	277.55 15/1/81
21 CONSUMER GROUP (191)	1651.87	+0.3	7.00	3.51	17.72	35.20	1647.06	1646.95	1660.21	1576.39	1761.38	11/5	1446.17	25/8	1761.38 11/5/92	61.41 13/12/74
22 Brewers and Distillers (25)	1957.78	+0.6	8.49	3.77	14.21	41.53	1947.01	1956.70	1979.49	1931.99	2278.85	11/5	1812.14	5/10	2278.85 11/5/92	69.47 13/12/74
25 Food Manufacturing (19)	1271.45	+0.4	8.39	4.16	14.80	31.83	1266.85	1268.30	1269.26	1192.31	1327.80	11/5	1064.95	10/9	1327.80 11/5/92	59.67 11/12/74
26 Food Retailing (18)	2926.04	+0.3	8.52	3.16	15.23	54.15	2918.37	2908.94	2911.73	2414.22	2998.16	18/5	2293.80	10/1	2998.16 18/5/92	54.25 11/12/74
27 Health and Household (26)	4318.83	-0.1	5.15	2.62	22.54	72.10	4321.83	4284.48	4313.11	3991.37	4654.94	14/1	3648.63	26/8	4654.94 14/1/92	175.38 28/5/80
29 Hotels and Leisure (18)	1136.11	+1.1	6.92	6.00	19.02	46.03	1123.63	1125.74	1121.05	1329.05	1450.36	13/5	898.80	16/9	1845.77 8/9/89	54.83 9/1/75
30 Media (26)	1612.44	+0.7	6.15	3.27	20.29	35.18	1601.25	1617.19	1649.41	1538.65	1721.09	11/5	1376.55	25/8	1721.09 11/5/92	1166.91 16/1/91
31 Packaging, Paper & Printing (17)	732.99	+0.5	6.92	4.43	17.99	22.68	729.63	731.59	744.23	763.87	875.53	13/5	633.17	16/9	875.53 13/5/92	43.46 6/1/75
34 Stores (33)	1049.28	.....	6.87	3.47	19.30	19.93	1049.18	1052.37	1066.33	1029.26	1135.66	27/4	907.08	25/8	1160.58 29/7/87	52.63 6/1/75
35 Textiles (9)	693.03	+0.5	6.85	4.43	18.38	16.65	689.65	698.09	704.24	652.30	756.70	8/5	551.94	25/8	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (116)	1318.63	+0.4	9.42	5.14	13.30	40.80	1313.01	1318.21	1323.11	1242.82	1359.32	11/5	1140.56	3/4	1359.32 11/5/92	58.63 6/1/75
41 Business Services (18)	1404.29	.....	6.30	3.63	19.45	30.60	1404.66	1401.34	1408.37	1396.80	1511.16	11/5	1160.34	1/9	1511.16 11/5/92	892.28 1/2/91
42 Chemicals (22)	1325.91	-0.3	6.98	5.48	18.06	48.48	1329.81	1340.24	1359.65	1417.68	1629.99	8/5	1243.05	1/9	1629.99 8/5/92	71.20 1/12/74
43 Conglomerates (10)	1332.22	+0.7	8.65	8.26	14.79	40.93	1323.07	1353.65	1359.46	1475.78	1509.94	11/5	1087.92	2/9	1819.46 11/8/89	975.19 10/11/87
44 Transport (13)	2488.16	+0.4	8.22	4.75	14.81	76.54	2477.22	2485.86	2531.45	2304.73	2790.11	20/5	2133.26	26/8	2790.11 20/5/92	90.80 29/6/62
45 Electricity (16)	1385.29	-1.2	14.99	5.29	8.60	55.01	1402.60	1400.27	1385.30	1204.99	1435.79	13/10	1044.63	7/4	1435.79 13/10/92	994.96 7/1/91
46 Telephone Networks (4)	1529.20	+1.5	9.88	4.32	13.19	46.15	1506.13	1501.59	1514.64	1489.56	1537.21	22/10	1274.20	3/4	1658.67 2/10/91	517.92 30/11/84
47 Water (11)	3117.10	+0.9	14.35	5.55	7.71	86.85	3089.99	3093.37	3029.28	2359.60	3117.10	30/10	2140.95	8/4	3117.10 30/10/92	1820.20 1/5/90
48 Miscellaneous (22)	2248.81	+0.4	5.86	4.49	21.45	55.75	2239.78	2257.68	2260.94	1819.90	2310.33	23/10	1770.94	3/1	2310.33 23/10/92	60.39 6/7/75
49 INDUSTRIAL GROUP (482)	1321.04	+0.4	7.87	4.42	15.94	35.99	1316.09	1319.54	1327.77	1281.99	1427.97	11/5	1168.49	1/9	1427.97 11/5/92	59.01 13/12/74
51 Oil & Gas (18)	2130.21	+0.4	6.32	6.09	20.74	97.68	2120.84	2135.53	2134.82	2384.53	2226.66	2/1	1756.72	7/8	2528.70 3/8/90	87.23 29/5/62
59 500 SHARE INDEX (500)	1395.68	+0.4	7.71	4.60	16.34	40.79	1390.35	1394.62	1402.35	1377.08	1493.99	11/5	1228.86	26/8	1493.99 11/5/92	63.49 13/12/74
61 FINANCIAL GROUP (83)	821.28	+1.3	-	5.35	-	31.00	810.59	810.46	815.93	773.32	821.28	30/10	631.13	25/8	896.67 13/10/87	55.88 13/12/74
62 Banks (9)	1128.35	+1.6	4.59	4.93	32.70	40.52	1110.16	1107.70	1118.35	902.53	1128.35	30/10	790.95	3/4	1128.35 30/10/92	62.44 12/12/74
65 Insurance (Life) (6)	1634.06	+2.1	-	5.56	-	68.18	1600.73	1620.68	1633.32	1439.68	1634.06	30/10	1243.61	6/4	1634.06 30/10/92	44.88 2/1/75
66 Insurance (Composite) (7)	589.02	+1.8	-	5.12	-	22.58	578.56	576.23	580.32	575.23	589.02	30/10	418.66	27/7	768.11 29/12/89	43.96 13/12/74
67 Insurance (Brokers) (10)	786.49	-1.8	9.10	7.15	14.43	42.23	794.56	794.70	784.25	1127.89	1031.35	27/1	527.43	25/8	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks (7)	476.74	.....	-	4.70	-	13.71	476.68	474.81	476.77	485.63	521.89	22/5	395.41	28/8	547.59 12/10/87	31.21 7/1/75
69 Property (30)	588.96	-0.2	9.46	7.16	13.89	23.61	590.43	592.79	592.79	895.57	799.69	20/1	464.71	16/9	1398.87 5/9/89	56.01 20/4/65
70 Other Financial (14)	256.62	-0.4	7.77	6.50	16.91	9.35	257.61	257.24	256.39	255.62	271.79	26/5	215.81	2/9	603.48 16/7/87	33.29 17/12/74
71 Investment Trusts (70)	1218.02	+0.5	-	3.69	-	27.54	1212.33	1212.39	1215.22	1221.77	1273.08	11/5	1024.12	25/8	1323.81 4/1/90	71.12 13/12/74
99 ALL-SHARE INDEX (653)	1256.67	+0.5	-	4.68	-	37.90	1250.26	1253.47	1260.51	1232.34	1326.36	11/5	1086.13	25/8	1326.36 11/5/92	61.92 13/12/74

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Fri Oct 30	Day's change %	Thu Oct 29	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.35	-0.11	128.49	1.82	10.69
2	5-15 years (25)	146.27	+0.10	146.13	1.72	11.85
3	Over 15 years (8)	153.28	+0.07	153.17	2.56	9.97
4	Irredeemables (6)	170.62	+0.80	169.26	0.06	13.45
5	All stocks (61)	142.60	+0.03	142.55	1.86	11.46
	Index-Linked					
6	Up to 5 years (2)	183.83	+0.04	183.76	0.34	3.68
7	Over 5 years (10)	169.09	+0.48	168.29	0.87	4.04
8	All stocks (12)	169.89	+0.42	169.18	0.80	3.96
9	Debs & Loans (62)	123.56	+0.71	122.69	2.19	10.11

AVERAGE GROSS REDEMPTION YIELDS

			Fri Oct 30	Thu Oct 29	Year ago (approx.)	1992 High		1992 Low	
	British Government								
1	Low	5 years	7.00	6.97	8.66	10.03	15/9	6.93	28/10
2	Coupons	15 years	8.25	8.23	9.53	9.72	1/4	8.23	29/10
3	(0%-7¾%)	20 years	8.52	8.51	9.53	9.72	1/4	8.51	29/10
4	Medium	5 years	7.35	7.32	9.78	10.28	1/4	7.27	28/10
5	Coupons	15 years	8.56	8.57	9.67	9.82	1/4	8.56	30/10
6	(8%-10¾%)	20 years	8.80	8.81	9.63	9.76	1/4	8.76	14/9
7	High	5 years	7.65	7.58	9.98	10.50	1/4	7.53	28/10
8	Coupons	15 years	8.86	8.90	9.76	9.96	1/4	8.86	30/10
9	(11%-)	20 years	8.97	9.01	9.68	9.98	5/10	8.94	14/9
10	Irredeemables†		8.84	8.90	9.72	9.92	2/4	8.84	30/10
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs.	2.34	2.34	3.85	5.06	16/9	2.33	28/10
12	Inflation rate 5%	Over 5 yrs.	3.67	3.70	4.24	4.76	16/9	3.67	30/10
13	Inflation rate 10%	Up to 5 yrs.	1.57	1.55	3.24	4.23	16/9	1.54	28/10
14	Inflation rate 10%	Over 5 yrs.	3.49	3.52	4.07	4.56	16/9	3.49	30/10
15	Debs &	5 years	8.73	8.76	11.40	11.51	6/4	8.73	30/10
16	Loans	15 years	9.81	9.90	11.20	11.22	6/4	9.81	30/10
17		25 years	10.03	10.11	11.01	11.02	6/4	9.98	1/6

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. The FT-Actuaries All Share Index is calculated by the Finanical Times Limited in conjunction with the Institute of Actuaries. ©The Financial Times Limited 1992. All Rights reserved. The FT-SE 100, FT-SE 250 and the FT-SE Actuaries 350 Indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by the The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. CONSTITUENT CHANGES: ADDITION: Trinity Holdings (9); DELETION: Davies & Newman (44).

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*626)	600	49	62	74	18	28	38
	650	23	35	47	45	52	65
	700	10	20	30	85	89	97
ASDA (*41)	40	6	8	8½	4½	6½	8
	45	4	5½	7	8	8½	10
Brit. Airways (*283)	280	22	29	35	18	22	31
	300	12	21	26	30	34	42
SmKl Bchm A (*531)	500	50	60	70	14	21	26
	550	21	31	44	40	46	50
Boots (*471)	460	31	45	52	20	24	31
	500	14	25	34	42	45	51
B.P (*233)	220	21	26	30	8	12	15
	240	11½	15	21	17	21	25
British Steel (*49)	45	9½	11	13½	4	5	6
	50	6	8	11	6	7½	9
Bass (*549)	500	59	67	77	15	19	28
	550	24	39	50	35	43	51
C & Wire (*603)	600	34	48	60	29	36	46
	650	14	28	39	61	67	74
Courtaulds (*491)	460	48	63	72	17	24	35
	500	25	41	51	37	45	54
Com. Union (*575)	550	51	60	72	16	29	36
	600	25	34	47	40	56	63
Fisons (*224)	220	27	36	43	23	31	39
	240	19	28	35	35	44	51
GKN (*400)	390	32	36	44	14	22	30
	420	16	22	30	30	40	47
Grand Met. (*405)	390	33	40	50	16	23	29
	420	18	25	36	34	40	45
I.C.I. (*1024)	1000	74	88	105	33	61	75
	1050	47	62	80	58	90	105
Kingfisher (*532)	500	60	73	80	15	16	26
	550	25	43	53	35	39	49
Ladbroke (*173)	160	25	32	36	12	18	22
	180	15	22	28	19	28	35
Land Secur (*405)	390	27	35	42	12	15	25
	420	12	20	26	29	32	43
M & S (*322)	300	32	40	44	7	11	14
	330	14	24	28	20	24	28
Sainsbury (*502)	500	28	38	49	21	28	35
	550	10	18	27	55	62	64
Shell Trans. (*533)	500	50	56	62	7	15	18
	550	19	26	35	27	38	43
Storehouse (*166)	160	17	20	28	10	12	14
	180	11	15	18	20	24	24
Trafalgar (*84)	80	13	17	20	7½	10	13
	90	7	13	16	13	16	19
Utd. Biscuits (*340)	330	29	32	38	12	21	26
	360	12	19	26	28	37	43
Unilever (*1100)	1100	45	67	82	40	46	60
	1150	24	44	58	69	75	90
Option		**Nov**	**Feb**	**May**	**Nov**	**Feb**	**May**
Brit Aero (*141)	130	18	30	33	6½	17	25
	140	14	26	29	13	23	31
	160	5	18	23	27	36	45

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*732)	700	40	62	80	10	23	32
	750	12	35	54	36	48	57
BAT Inds (*879)	850	45	79	85	11	26	43
	900	19	48	60	35	48	70
BTR (*486)	460	31	45	50	4	14	21
	500	8	22	28	20	34	39
Brit. Telecom (*372)	360	18	27	34	6	15	19
	390	5	12	19	22	32	35
Cadbury Sch (*450)	420	37	50	55	3	11	18
	460	10	26	32	18	26	37
Eastern Elec (*376)	370	16	28	37	8½	20	25
	400	4½	15	23	28	38	40
Guinness (*535)	500	41	59	68	4½	16	24
	550	10	34	40	28	39	49
GEC (*241)	240	7½	14	20	6	12½	14
	260	2	6	11	23	25	27
Hanson (*228)	220	13	17	21	4	9½	12
	240	3	8½	12	14	19½	23
LASMO (*176)	160	22	32	36	4½	12	18
	180	10	21	27	13	21	28
Lucas Inds (*106)	100	12	19	23	5	11	15
	110	6	14	18	10	16	21
P. & O. (*431)	420	26	48	57	14	27	43
	460	8½	28	37	38	50	67
Pilkington (*85)	80	12	17	20	4	9	14
	90	5½	13	16	9½	17	20
Prudential (*277)	260	21	30	34	3	7½	13
	280	8	18	22	10	16	23
R.T.Z. (*628)	600	37	60	69	8	21	30
	650	11	31	42	30	42	57
Scot. & New (*421)	420	16	28	38	11	22	28
	460	4	12	22	40	48	52
Tesco (*234)	220	17	26	33	4	9	14
	240	6	14	19	13	18	24
Thames Wtr (*481)	460	24	37	44	8	16	20
	500	4	15	25	33	35	41
Vodafone (*373)	360	23	36	44	7	18	24
	390	7½	20	30	23	34	39
Option		**Dec**	**Mar**	**Jun**	**Dec**	**Mar**	**Jun**
Abbey Nat. (*336)	300	42	50	52	3	8½	12
	330	19	29	33	10	20	25
	360	6½	16	20	29	38	41
Amstrad (*28)	25	5	7	7	2½	3	3
	30	2	3	4½	5	5½	6
Barclays (*346)	330	29	41	44	10	23	27
	360	13	25	29	26	40	43
Blue Circle (*168)	160	20	29	34	11	18	24
	180	12	22	26	23	27	34
British Gas (*269)	260	19	25	28	5½	9	14
	280	7	15	17	14	18	24
Dixons (*217)	200	26	33	40	6	13	14
	220	12	22	29	13	21	25
Eurotunnel (*359)	330	49	63	74	10	20	26
	360	29	46	57	23	33	40

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Glaxo (*799)	750	77	98	119	15	33	45
	800	44	69	92	35	56	66
Hillsdown (*110)	110	9½	17	20	12	18	24
	120	7	12	17	19	24	31
Lonrho (*66)	60	13	14	16	4½	8	9½
	70	6	9	11	9½	13	15
HSBC 75p shs (*510)	500	36	55	62	19	30	41
	550	13	31	39	49	58	70
Nat Power (*242)	240	14	19	24	8	14	16
	260	6	11	15	21	26	27
Reuters (*1181)	1150	77	115	132	33	59	82
	1200	47	89	108	57	87	110
R. Royce (*130)	130	8	13	15	6	11	13
	140	4½	9	10½	12	17	19
Scot Power (*200)	200	8	12½	14½	6	11	12
	220	2	5	7	21	23	24
Sears (*89)	80	11	14	16	3	5	8
	90	5½	9	12	8	9	13
Forte (*166)	160	18	27	31	11	16	25
	180	9	19	23	22	29	38
Thorn EMI (*819)	800	42	59	75	20	32	38
	850	16	34	52	52	59	68
TSB (*135)	130	11	15	17	5	10	11
	140	6	10	13	11	15	17
Vaal Reefs (*29)	25	7	8	8½	1½	3	3½
	30	4	4	5½	3½	5	6½
Wellcome (*981)	950	63	100	120	32	53	67
	1000	40	74	95	60	80	90

EURO FT-SE INDEX (*2650)

	2475	2525	2575	2625	2675	2725	2775	2825
CALLS								
Nov	199	154	112	77	48	28	14	7
Dec	235	192	154	120	90	65	45	29
Jan	-	216	-	146	-	89	-	53
Mar	-	249	-	180	-	119	-	-
Jun	-	-	-	208	-	-	-	-
Sep	-	-	-	240	-	185	-	140
PUTS								
Nov	9	13	23	37	58	87	125	168
Dec	22	34	44	58	78	102	133	168
Jan	-	42	-	74	-	-	-	-
Mar	-	56	-	95	-	139	-	-
Jun	-	78	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-	-

FT-SE INDEX (*2658)

	2450	2500	2550	2600	2650	2700	2750	2800
CALLS								
Nov	222	177	132	92	60	33	18	9
Dec	250	207	167	135	102	73	52	32
Jan	275	230	194	160	125	95	75	55
Feb	287	248	211	177	146	118	94	73
Jun †	-	290	-	225	-	170	-	120
PUTS								
Nov	8	10	17	28	47	74	113	157
Dec	19	26	37	50	68	93	127	165
Jan	30	38	52	65	85	110	141	176
Feb	40	50	63	80	97	123	152	186
Jun †	-	75	-	110	-	155	-	210

October 30 Total Contracts 19,148
Calls 10,110 Puts 9,038
FT-SE Index Calls 940 Puts 2,475
Euro FT-SE Calls 203 Puts 692
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT FIXED INTEREST INDICES

Volume	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Year ago	High *	Low *
Govt Secs	94.44	94.36	94.18	93.53	93.28	86.46	94.44	85.11
Fixed Interest	108.59	108.33	107.71	106.95	106.62	98.48	108.59	97.15

* for 1992. Government Securities high since compilation 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 108.59 (30/10/92), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains	5-Day Average
Oct 29	253.0	216.1
Oct 28	238.5	197.9
Oct 27	208.8	191.4
Oct 26	196.2	183.9
Oct 23	185.9	174.4

Indices: SE activity 1974

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	35	Hanson	17	Ratners	2½	Land Sec.	32
Allied-Lyons	47	Charter Cons.	44	ICI	85	Reed Intl	42	MEPC	22
Amstrad	4	Comm Union	42	Ladbroke	20	Sears	7	■ OILS	
Astec (BSR)	3½	Courtaulds	38	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	6
BAT Inds	60	Eurotunnel	32	Lex Service	19	TI	26	BP	22
BOC	49	FKI	8	Lloyds Bank	34	TSB	11½	Burmah Castrol	58
BTR	36	FNFC	6	Lonrho	8	Tesco	17	Conroy Pet	6
Barclays	26	Forte	17	Lucas Inds	11	Thorn EMI	56	Gaelic Res	½
Blue Circle	19	GKN	33	Marks Spencer	25	T & N	15	Premier Cons	2½
Boots	31	Gen Accident	40	NatWest Bank	26	Unilever	75	Shell	42
Bowater	56	GEC	17	P & O Dfd	32	Vickers	9	Tuskar Res	½
Brit Aerospace	30	Glaxo	15	Racal Elect	6	Wellcome	71	■ MINES	
British Steel	6	Grand Met	34	RHM	14	■ PROPERTY		RTZ	50
BT	25	GRE	15	Rank Org	42	Brit Land	15		

Aetna strongly ahead despite hurricane impact

By Martin Dickson in New York

AETNA LIFE & Casualty, one of the largest US composite insurers, yesterday reported third-quarter net income of $239m, up from $115m in the same period of last year, despite higher catastrophe losses from Hurricane Andrew.

The income figures, which worked through at $2.17 a share, compared with $1.06 a share in the same period of last year, included the earnings of American Re-Insurance which Aetna sold for $1.4bn to the leveraged buy-out firm of Kohlberg, Kravis, Roberts, at the end of September.

Stripping out the $34m of income from American Re and $78m of profits from its sale, Aetna made $127m, or $1.15 a share, from continuing operations, compared with $72m, or 67 cents a share, a year ago. The results included $58m, or 52 cents of net realised capital gains, compared with losses of $45m, or 40 cents a share, a year ago.

This quarter's gains included losses from additional property reserves of $52m, down from $72m a year ago.

The group's commercial property and casualty insurance services earned just $4m, down from $32, as catastrophe losses rose to $29m, up from $6m, mainly because of Hurricane Andrew, which devastated Florida during the summer.

For the nine months Aetna reported total net income of $426m, up from $412m.

Shell Oil advances and announces more job cuts

By Martin Dickson

SHELL OIL, the US arm of the Royal Dutch/Shell group, yesterday reported a rise in third-quarter earnings from $28m to $42m and announced further reductions in its labour force as part of a significant cost-cutting programme.

Shell, which previously announced it planned to cut its 31,500 US workforce by 10 to 15 per cent, mainly through attrition and early retirement programmes, said that it now expected to reduce it by more than 20 per cent by early next year.

However, a spokesman said most of the increment would come from workers who left the company through the sale of businesses, including its credit card processing operations and the planned sale of its coal mining business to Ziegler Coal Holding.

Excluding special items, its quarterly operating results rose $102m, which the company said reflected its extensive cost reduction programme.

However it was now taking additional cost reduction steps because of the difficult industry environment, and aimed to realise by year-end some two-thirds of its $800m cost-cutting target, originally scheduled for completion at the end of 1994.

The US oil and gas industry as a whole has been cutting costs and reducing its labour force over the past year in response to poor market conditions.

Sparbanken result points to bank sector's struggle

By Christopher Brown-Humes in Stockholm

LOSSES at Sparbanken Sverige deepened sharply in the first eight months, underlying the severity of the crisis in Sweden's banking sector.

The savings bank group made an operating loss of SKr6.5bn ($1.1bn), against a SKr2.5bn deficit a year ago, after loan losses climbed 62 per cent to SKr10.4bn. It anticipates a full-year loss of SKr8.5bn, with loan losses soaring to SKr14.5bn. The figures are worse than those estimated in April when the government announced a SKr7.3bn bail-out of Första Sparbanken.

"The increased loan losses and the reduced operating income are due to the major deterioration which has occurred in the Swedish economy," said the bank. It warned it might eventually need state help to maintain an 8 per cent capital ratio.

Sparbanken Sverige is being formed from the merger of 11 savings banks, including Första Sparbanken and Swedbank.

GM agrees terms to end Daewoo link-up in S Korea

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS, the US vehicle maker, and the Daewoo group of South Korea, have reached final agreement on the terms for GM's withdrawal from Daewoo Motors, the two groups' troubled Korean car manufacturing joint venture.

Daewoo said yesterday it had received official approval from the South Korean government for its takeover of GM's 50 per cent stake.

Three Daewoo subsidiaries are to acquire the GM holding for $170m with payment spread over three years. Daewoo Electronics will acquire 55 per cent of the GM stake with Daewoo Telecom purchasing 22.8 per cent and Daewoo Heavy Industries 22.2 per cent.

Daewoo said that the three subsidiaries would pay 40 per cent of the purchase price this month with payments of 30 per cent in each of the next two years.

Relations between the Daewoo Group and GM have been strained for several years. Plans for GM to withdraw first emerged in the second half of 1991, after the US car maker refused a Daewoo request to inject fresh capital into the venture to expand business and to develop a new model.

Honda, the Japanese vehicle maker, is now preparing to provide Daewoo with technical support to produce a range of executive cars in Korea based on the Honda Legend.

The forced withdrawal by GM is a significant setback to its ambitions in the Asia Pacific region, where it had hoped to develop Daewoo Motor as an important low-cost production base in Asia.

The Opel Kadett has been produced by Daewoo Motor in South Korea and sold both locally and in the US as the Pontiac LeMans. Production of the car has been hampered, however, both by poor quality and by frequent labour conflicts.

GM said that it would maintain its presence in Korea through a number of automotive components joint ventures, which would also continue to supply Daewoo Motor.

GM holds 50 per cent stakes in five components joint ventures in South Korea, two of which are linked to the Daewoo Group.

CORPORATE JAPAN FEELS THE IMPACT OF THE DEEPENING RECESSION

JAL turns in Y4.4bn interim loss

By Charles Leadbeater in Tokyo

JAPAN AIR LINES, the leading Japanese international carrier, is facing deepening losses after reporting a pre-tax loss of Y4.4bn ($35m) in the first half of the financial year.

JAL has been hit by a combination of rising investment costs, falling business demand for international travel, a low growth in general tourist demand and a domestic market which has been flattened by the downturn in the Japanese economy.

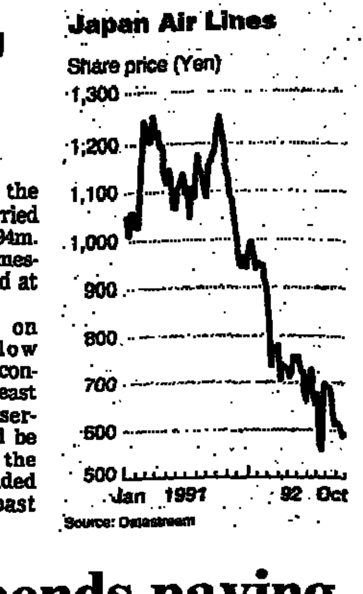
The loss in the six months to September compares with a Y10.26bn pre-tax profit in the same period last year. The airline made a pre-tax loss of Y6.4bn last year, its first since 1985 when its business slumped after a major accident in Japan. JAL made a profit of Y24bn in 1990.

JAL said its net after-tax loss was Y3.6bn, or Y2.02 per share, against a net profit of Y2.66bn, or Y1.57bn a share, last year.

Sales fell by 4.7 per cent to Y549.59bn, with the fall in consumer demand amplified by a slump in cargo traffic reflecting the economic slowdown in Japan and the US.

The airline in June unveiled a restructuring plan aimed at cutting costs and raising revenues particularly through increasing its share of the Japanese market from about 24 per cent to close to a third. This strategy appears to be bearing some fruit with the number of passengers carried rising by 2.4 per cent to 7.94m. However revenues from domestic services were unchanged at Y140bn.

JAL is cutting back on recruitment to slow employment growth and considering cuts among its least profitable international services, a move which would be a significant reverse for the airline which has expanded aggressively over the past decade.



Source: Datastream

Declines at machinery makers

By Robert Thomson in Tokyo

THE RECOVERY of the shipbuilding market supported earnings at Mitsubishi Heavy Industries and Kawasaki Heavy Industries, the machinery makers, which have suffered from a decline in orders from the domestic manufacturing and construction industries.

Mitsubishi Heavy reported an 8.4 per cent fall in pre-tax profit to Y62bn ($503m) for the first half to the end of September on a 9.1 per cent increase in sales at Y1,111.6bn, a record for the company.

Shipbuilding had been a burden for Japan's heavy industrial companies until two years ago, but strong demand and reduced competition has left them with full order books and the prospect of a steady increase in ship prices in coming years.

Mitsubishi reported that sales at its shipbuilding and steel structures division rose 8.4 per cent, while machinery sales were 7 per cent higher, power systems up 22.6 per cent, and aircraft and special vehicle sales were down 1.2 per cent.

For the full year, Mitsubishi Heavy forecasts a 3.5 per cent fall in pre-tax profit to Y150bn on sales almost unchanged at Y2,500bn.

Kawasaki Heavy Industries reported a 10 per cent fall to Y4.87bn in pre-tax profit for the first half, and a delay in the delivery of six ships was partly the cause of a 7.7 per cent fall in sales to Y359.9bn. After-tax profit was 17 per cent higher at Y4.17bn.

Both Kawasaki and Mitsubishi said the recent appreciation of the yen had put the companies' export divisions under increased pressure, and Kawasaki reported a foreign exchange loss of Y3.6bn for the first half.

For the year to March, Kawasaki expects a 2 per cent increase in sales to Y950bn and a 9.8 per cent rise in pre-tax profit to Y22.5bn.

JVC suspends paying dividend as sales slip

By Steven Butler in Tokyo

VICTOR COMPANY of Japan (JVC), the consumer electronics company specialising in audio and video equipment, yesterday reported a Y13.5bn ($109m) parent company pre-tax loss in the half year to September and suspended its interim dividend payment.

JVC, which holds rights to the industry standard VHS video format, has been especially hard hit because of its excessive dependence on video equipment, which last year accounted for nearly half of all sales.

This year, sales of video equipment have been hurt by the weakness of consumer spending as well as a natural slowdown in sales as the market matures. JVC, however, has failed to respond to the changing market by diversifying product lines.

JVC's total sales fell by 20 per cent to Y273.5bn, while receipts from video equipment alone were down by 31 per cent to Y105.4bn.

While JVC has more or less kept pace with its competitors in the domestic market, it has been badly mauled overseas. Export sales were down by 30 per cent to Y132.8bn, mainly because of poor sales in Europe.

Only part of the decline can be explained by currency fluctuations.

JVC is not expecting improvement in the second half of the year. The company believes it will lose Y21bn pre-tax, and expects to pay no dividend.

On a consolidated basis, the pre-tax profits forecast has been lowered from Y3bn to a loss of Y28bn.

The parent company net loss for the interim period came to Y15.9bn.

Daishowa Paper shortfall deepens

By Emiko Terazono in Tokyo

DAISHOWA PAPER, Japan's second largest paper manufacturer which is facing large debts due to over-expansion, recorded a deepening in its interim pre-tax loss due to sluggish demand and a sharp fall in gains on securities sales.

The company said pre-tax losses for the first six months to September increased to Y10bn ($81m) from Y3.7bn in the same period last year. Daishowa's sales fell 12.8 per cent to Y157.8bn, due to the slack paper market. The company will skip its dividend payment for the first time since it listed on the Tokyo Stock Exchange in 1961.

After-tax losses totalled Y11bn, compared with a profit of Y287m. Daishowa blamed its failure to sell its holdings of forest land and other assets because of the current real estate slump.

As of September, Daishowa's debts stood at Y465bn, up from Y200bn in March. The company plans to repay Y42.5bn by selling land and stock holdings, and from the proceeds of its share allotment to Mr Ryoei Saito, honorary chairman.

For the whole year, Daishowa expects to post a pre-tax loss of Y14.6bn on a 0.3 per cent fall in sales to Y348bn.

● Honshu Paper, another leading paper company, said pre-tax profits fell 19.9 per cent to Y2.6bn on a 5.3 per cent decline in sales to Y197.1bn. After-tax profits, however, increased 8.4 per cent to Y1.8bn due to profits from asset sales.

For the full year to March, Honshu expects the slump in the paper market to continue, and projects an 11 per cent fall in pre-tax profits to Y5.6bn on a 3.8 per cent fall in sales to Y397bn.

Fanuc earnings tumble to Y16bn in first half

By Emiko Terazono

FANUC, the leading Japanese equipment maker for machine tools, saw non-consolidated profits for the six months to September tumble, due to a sharp fall in corporate capital spending.

The company's pre-tax profits for the first half fell 47.8 per cent to Y16.2bn ($131m) on a 26.5 per cent decline in sales to Y62.2bn.

After-tax profits fell 46.3 per cent to Y9.27bn, compared with Y17.27bn in the same period of the previous year.

At the operating level, profits fell to Y11.02bn compared with Y23.09bn the previous year.

Sales of Fanuc's numerically controlled systems fell 31.4 per cent to Y25.7bn due to sluggish orders from machine tool makers, while the fall in demand from automotive manufacturers resulted in a 7 per cent fall in robot sales to Y10.7bn.

Overall orders for the first six months declined 27.4 per cent to Y61.1bn.

For the full year, Fanuc expects a continuing fall in demand to push pre-tax profits down 40.9 per cent to Y30.8bn on a 20.2 per cent decline in sales to Y124.2bn.

After-tax profits are projected to fall 42.3 per cent to Y17.3bn.

The company will spend Y8.7bn on plant and equipment for the current year as originally planned. It has agreed to an unchanged dividend of Y9 per share.

Oki Electric appoints new board

By Steven Butler

OKI ELECTRIC, the Japanese electronics company, yesterday reported a Y19.3bn ($156m) parent company pre-tax loss in the six months to September, suspended its interim dividend payment, and appointed a new board of directors in an effort to turn around the company's business.

Mr Nobumitsu Kosugi, president, resigned yesterday to take responsibility for the company's poor financial performance. He was replaced by Mr Jun Jinguji, a former executive at Nippon Telegraph and Telephone who has been a senior director at Oki since 1985.

Oki suffered from poor sales in all principal product areas: telecommunication equipment, data processing systems, and electronic devices.

Total sales declined by 8.5 per cent to Y261.8bn.

Oki is one of the smaller electronics companies to remain in the race to produce high-capacity memory chips, but is widely expected to quit the business because of the escalation of development costs as the technology becomes more sophisticated.

The company posted a net after-tax loss of Y8.7bn. For the fiscal year as a whole, Oki expects to post a pre-tax loss of Y25bn and net loss of Y16bn.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold per troy oz.	$339.65	-3.60	$360.00	$358.40	$335.20
Silver Per troy oz	241.00p	+6.5	239.9p	242.70p	187.58p
Aluminium 99.7% (cash)	$1147.75	-13.75	$1200.5	$1339.0	$1105.5
Copper Grade A (cash)	£1452.0	+69.0	£1382.5	£1452.0	£1125.0
Lead(cash)	£322.5	-1.75	£304.25	£383.5	£278.50
Nickel (cash)	$6070	-65.0	$7375	$8196.0	$6070
Zinc SHG (cash)	$1092.5	-16.5	$968.5	$1457.5	$1092.5
Tin (cash)	$5830.0	-47.5	$5582.5	$7115.0	$5425.0
Cocoa Futures (Mar)	£705	-37	£797	£733	£523
Coffee Futures (Jan)	$941	+38	£564	$1013	$676
Sugar (LDP Raw)	$228.4	-1.6	$238.6	$272.6	$193
Barley Futures (Jan)	£129.00	+1.5	£117.80	£129.00	£106.90
Wheat Futures (Jan)	£131.00	-1.85	$122.1	£131.85	£109.65
Cotton Outlook A Index	51.60c	-1.1	67.70c	65.90c	51.45c
Wool (64s Super)	406p	-3	347p	480p	364p
Oil (Brent Blend)	$19.30x	-0.85	$22.55	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Dec.

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$17.15-7.25u	-.250
Brent Blend (dated)	$19.10-9.15	-.300
Brent Blend (Dec)	$19.25-9.35	-.300
W.T.I (1 pm est)	$20.45-0.55u	-.250
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$212-215	-1.0
Gas Oil	$190-191	-1.5
Heavy Fuel Oil	$100-101	-2.0
Naphtha	$180-182	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$339.65	
Silver (per troy oz)♣	376.5c	
Platinum (per troy oz)	$354.15	+0.30
Palladium (per troy oz)	$93.65	+0.35
Copper (US Producer)	105.6c	+0.50
Lead (US Producer)	38.5c	
Tin (Kuala Lumpur market)	14.35r	+0.05
Tin (New York)	289.5c	+2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	106.98p	-2.80*
Sheep (live weight)†♣	74.17p	-1.14*
Pigs (live weight)†	84.37p	+1.47*
London daily sugar (raw)	$228.4w	+1.4
London daily sugar (white)	$263.0w	
Tate and Lyle export price	£255.0	+2.0
Barley (English feed)	£128.5u	
Maize (US No. 3 yellow)	£144.25	+0.25
Wheat (US Dark Northern)	Unq	
Rubber (Dec)♥	62.25p	
Rubber (Jan)♥	62.25p	
Rubber (KL RSS No 1 Oct)	222.0m	
Coconut oil (Philippines)§	$500.0y	+5.0
Palm Oil (Malaysian)§	$402.5t	
Copra (Philippines)§	$360.0	+20.0
Soyabeans (US)	£158.5w	+0.5
Cotton "A" Index	51.60c	+0.15
Wooltops (64s Super)	406p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jan/Mar y-Dec/Jan u-Dec w-Oct/Nov. z-Nov. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	199.00	199.00	198.00
Mar	194.80	196.00	196.40
May	194.80	199.00	196.40
White	**Close**	**Previous**	**High/Low**
Dec	258.90	259.90	258.50 258.00
Mar	257.90	258.70	258.00 258.80
Aug	264.00	265.50	263.50 263.00

Turnover: Raw 17 (37) lots of 50 tonnes. White 269 (236) Paris- White (FFr per tonne): Dec 1352.72 Mar 1376.82

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Dec	19.32	19.59	19.55 19.20
Jan	19.38	19.59	19.55 19.23
Feb	19.26	19.57	19.46 19.26
Mar	19.23	19.46	19.38 19.20
Apr	19.17	19.38	19.29 19.17
May	19.25	19.31	19.25 19.12
Jun	19.07		19.21 19.07
Aug	19.00		19.04 19.00
IPE Index	19.80	19.74	19.80 19.80

Turnover 42000 (30395)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	184.75	186.00	185.00 182.50
Dec	186.00	187.00	188.25 183.50
Jan	187.25	188.25	187.25 184.50
Feb	185.00	186.25	185.25 183.00
Mar	180.50	181.25	181.00 178.75
Apr	176.50	177.00	176.50 175.50
May	173.75		173.75 173.00
Jun	172.50	172.50	172.75 172.50
Jul	174.00	174.00	173.00

Turnover 26962 (16810) lots of 100 tonnes

SPICES

Activity in spices has been rather quiet in the run up to a meeting at the end of next week of the International Produce Association of London and an international spice conference in Goa, India, reports Man Producten. The spot price for Seychelles cinnamon was $1,500 a tonne, with the shipment price at $1,300 a tonne. Cloves prices were a little firmer; spot at $1,050 a tonne and shipment at $790-$800 a tonne, cif. Nigerian ginger was offered at between $300 and $600 a tonne, ex-warehouse, depending on quality. Mexican pimento was quoted at $1,700 a tonne, spot.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	685	685	686 675
Mar	705	710	710 698
May	726	727	728 718
Jul	744	744	743 736
Sep	760	761	762 752
Dec	784	782	783 776
May	825		818 816

Turnover: 3114 (1876) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Oct 29 740.53 (748.42) 10 day average for Oct 30 742.30 (741.33)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Nov	915	888	916 898
Jan	941	915	944 925
Mar	956	927	956 940
May	963	935	964 944
Jul	973	945	970 956
Sep	985	950	975 968

Turnover:7364 (5525) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Oct 29: Comp. daily 55.85 (55.67) 15 day average 53.78 (53.45)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	62.0	61.7	63.5 61.1

Turnover 51 (90) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	144.50	145.00	
Feb	145.00	146.50	

Turnover - (-) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Nov	1190	1183	1190 1183
Dec	1190	1183	1190 1185
Jan	1220	1220	1225 1220
Apr	1240	1234	1240 1234
BFI	1111	1111	1111

Turnover 271 (339)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	127.50	127.00	27.50
Jan	131.00	129.70	31.00 30.50
Mar	133.90	132.70	34.00 33.20
May	136.40	135.55	36.55 36.40
Barley	**Close**	**Previous**	**High/Low**
Jan	129.00	128.00	129.00 128.50
Mar	132.00	131.10	132.00 131.90
May	134.00		134.00

Turnover: Wheat 481 (196), Barley 330 (10). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	112.5	111.5	112.0
Jan	102.0		102.0
May	105.0		105.0

Turnover:15 (12) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 46,642 lots
Cash	1147.5-8	1150.5-1.5	1144.5	1144.5-5		
3 months	1173-4	1176-7	1174/1169.5	1169.5-70	1173-4	170,186 lots
Copper, Grade A (£ per tonne)						Total daily turnover 32,392 lots
Cash	1451-3	1450-1	1444/1443	1443-3.5		
3 months	1476-6.5	1473.5-4.5	1478/1469	1470-70.5	1476-6.5	146,574 lots
Lead (£ per tonne)						Total daily turnover 2,972 lots
Cash	322-3	325.5-6.5	321.25	321.25-1.50		
3 months	335-5.5	338.5-9	338/332	332-3	335-6	23,323 lots
Nickel ($ per tonne)						Total daily turnover 5,309 lots
Cash	6065-75	6085-95	6095/6092	6091-3		
3 months	6140-45	6160-5	6180/6130	6160-70	6140-5	31,723 lots
Tin ($ per tonne)						Total daily turnover 2,591 lots
Cash	5825-35	5795-805		5825-30		
3 months	5880-90	5858-60	5895/5850	5880-5	5870-80	9,949 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,497 lots
Cash	1092-3	1101-3	1092/1091	1091-1.5		
3 months	1112-3	1120-1	1120/1115.5	1111-1.5	1112-3	67,143 lots

LME Closing £/$ rate: SPOT: 1.5620 3 months: 1.5474 6 months: 1.5381 9 months: 1.5296

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	338.50-339.80	
Opening	338.80-339.20	
Morning fix	338.80	216.426
Afternoon fix	339.25	216.636
Day's high	339.50-339.80	
Day's low	338.70-339.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.03	6 months	2.24
2 months	2.16	12 months	2.49
3 months	2.16		

Silver fix	p/troy oz	US cts equiv
Spot	239.95	376.40
3 months	244.40	379.85
6 months	248.05	382.85
12 months	255.00	389.75

GOLD COINS

	$ price	£ equivalent
Krugerrand	337.50-340.50	214.00-216.00
Maple leaf	349.65-351.90	-
New Sovereign	80.00-83.00	50.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	64	94	3	8
1200	7	32	45	44
1300	3	6	137	117
Copper (Grade A)	**Calls**		**Puts**	
2200	89	116	6	22
2300	25	56	42	60
2400	3	22	119	124
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
750	230	138	18	11
800	182	100	30	23
850	156	69	48	42
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
625	60	97	1	12
650	39	79	5	19
675	22	62	13	27
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1950	24	48	31	63
2000	9	27		83
2050	3	17	112	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	339.4	339.5	0	0
Dec	340.1	340.2	340.4	339.4
Jan	340.8	340.9	0	0
Feb	341.5	341.6	341.7	340.8
Apr	342.8	342.9	343.1	342.5
Jun	344.3	344.4	344.3	343.8
Aug	346.0	346.1	0	0
Oct	347.8	347.9	0	0
Dec	349.7	349.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	354.2	353.7	354.5	353.0
Apr	353.2	352.7	352.0	352.0
Jul	352.9	352.4	0	0
Oct	354.9	354.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	375.1	375.2	0	0
Dec	376.2	376.5	377.0	375.0
Jan	377.5	377.8	377.0	377.0
Mar	379.9	380.2	381.0	379.0
May	382.6	382.9	382.0	382.0
Jul	385.3	385.6	386.0	386.0
Sep	388.1	388.4	388.5	388.5
Dec	392.7	393.0	393.5	393.5
Jan	394.2	394.5	0	0
Mar	398.0	398.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	100.90	101.35	101.25	100.90
Dec	101.40	101.95	101.95	101.30
Jan	101.70	102.35	102.15	102.15
Feb	101.95	102.55	102.45	102.45
Mar	102.20	102.75	102.80	102.10
Apr	102.50	103.05	0	0
May	102.75	103.40	103.40	102.75
Jun	102.95	103.65	0	0
Jul	103.15	103.90	104.00	103.80
Aug	103.30	104.05	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	20.51	20.71	20.68	20.43
Jan	20.54	20.76	20.70	20.48
Feb	20.52	20.71	20.66	20.47
Mar	20.52	20.66	20.62	20.45
Apr	20.45	20.61	20.58	20.40
May	20.40	20.56	20.50	20.37
Jun	20.35	20.51	20.50	20.31
Jul	20.40	20.48	20.47	20.35
Aug	20.35	20.41	20.42	20.30
Sep	20.33	20.37	20.38	20.27

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	58.55	59.51	59.65	58.40
Dec	59.65	60.28	60.80	59.50
Jan	60.55	60.85	61.25	60.30
Feb	60.00	60.33	60.65	59.90
Mar	58.60	58.83	59.10	58.50
Apr	57.25	57.39	57.65	57.00
May	56.30	56.39	56.75	55.90
Jun	55.40	55.69	55.60	55.25
Jul	55.50	55.64	55.90	55.25
Aug	56.30	56.24	56.30	56.30

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	932	943	942	927
Mar	980	992	990	977
May	1012	1025	1020	1009
Jul	1041	1050	1045	1038
Sep	1066	1078	1071	1065
Dec	1104	1111	1106	1106
Mar	1143	1150	1140	1140
May	1172	1179	0	0
Jul	1202	1209	0	0
Sep	1225	1217	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	68.45	67.15	68.50	67.70
Mar	70.50	69.15	70.60	69.60
May	73.50	72.10	73.55	72.50
Jul	75.20	73.75	75.20	74.20
Sep	76.40	75.00	76.50	75.70
Dec	78.50	77.25	78.50	78.50
Mar	80.75	78.25	80.75	80.75

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.77	8.75	8.79	8.70
May	8.87	8.85	8.89	8.81
Jul	8.94	8.88	8.94	8.84
Oct	8.95	8.86	8.95	8.84
Mar	8.99	8.90	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	52.16	51.99	52.52	52.20
May	52.87	52.80	53.35	53.00
Jul	53.12	53.25	53.80	53.55
Oct	54.52	54.70	55.00	55.00
Dec	55.00	55.25	55.60	55.45
Mar	55.55	55.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	96.30	97.65	97.75	96.30
Jan	95.15	96.00	96.10	94.75
Mar	96.90	97.75	97.90	96.55
May	98.15	99.00	98.50	97.75
Jul	97.90	99.00	99.25	99.25
Sep	97.90	99.00	0	0
Nov	97.40	98.50	98.05	98.05
Jan	97.40	98.50	0	0
Mar	97.40	98.60	98.50	98.50

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 30	Oct 29	mnth ago	yr ago
1649.4	1646.4	1665.1	1650.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 29	Oct 28	mnth ago	yr ago
Spot	113.58	113.21	115.69	114.08
Futures	115.61	115.40	114.72	123.34

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	549/2	541/6	552/0	543/0
Jan	552/6	548/0	556/0	549/4
Mar	558/6	555/2	562/4	557/0
May	564/2	562/0	567/4	563/6
Jul	569/6	569/6	573/4	569/4
Aug	572/0	571/0	575/6	572/0
Sep	571/0	570/6	575/4	571/0
Nov	576/0	576/0	580/0	576/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.37	19.04	19.49	19.12
Jan	19.44	19.17	19.63	19.25
Mar	19.84	19.38	19.84	19.47
May	19.84	19.58	20.02	19.70
Jul	20.06	19.76	20.22	19.90
Aug	20.08	19.76	20.20	20.00
Sep	20.12	19.86	20.25	20.10
Oct	20.17	19.92	20.40	20.17

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	182.4	181.7	183.0	181.9
Jan	182.7	182.1	183.5	182.4
Mar	182.8	182.6	183.7	182.7
May	183.4	183.7	184.4	183.3
Jul	185.2	185.5	186.2	185.0
Aug	186.2	186.6	187.0	186.2
Sep	187.2	188.0	188.0	187.2
Oct	188.5	189.0	189.0	188.2

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	207/2	206/6	208/2	206/6
Mar	217/6	217/0	218/4	217/2
May	225/0	224/4	226/0	224/6
Jul	229/4	229/0	230/4	229/0
Sep	234/0	233/0	234/6	233/6
Dec	238/0	238/0	239/0	237/4
Mar	245/0	244/6	245/0	244/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	354/4	350/2	355/4	349/4
Mar	349/4	347/0	350/2	346/2
May	334/6	333/4	335/4	332/4
Jul	313/6	311/2	314/0	309/4
Sep	318/0	316/4	318/0	315/4
Dec	328/0	326/6	328/4	325/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.775	73.450	73.800	73.350
Feb	71.425	71.175	71.475	71.175
Apr	71.775	71.650	71.875	71.675
Jun	68.850	68.750	68.975	68.750
Aug	67.750	67.525	67.825	67.650
Oct	68.100	67.850	68.125	67.850
Dec	68.500	68.125	68.500	68.500

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	42.425	42.350	42.750	42.200
Feb	42.225	41.925	42.375	41.725
Apr	40.200	39.600	40.350	39.850
Jun	44.925	44.600	45.025	44.400
Jul	44.600	44.175	44.600	44.150
Aug	43.425	43.025	43.475	42.800
Oct	40.600	40.225	40.750	39.950
Dec	42.600	42.250	42.700	42.500

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	40.525	40.250	41.100	39.800
Mar	40.675	40.450	41.200	40.050
May	42.175	41.850	42.550	41.500
Jul	42.650	42.325	42.800	42.000
Aug	41.900	41.850	41.900	41.400

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound dips on policy speech

STERLING lost more than two-and-a-half pfennigs against the D-Mark in Asian trading on Thursday night, as the markets took a dismissive view of the chancellor's keynote speech to the Mansion House, *writes James Blitz.*

On the eve of Mr Lamont's speech, Mr Paul Chertkow, head of global currency research at UBS Phillips and Drew, said that the chancellor would need to describe the broad and detailed framework within which macro-economic policy was being formed if the pound was to be boosted. It would not be enough, he said, to list the broad range of indicators to be used in the making of policy.

In the aftermath of the speech, many dealers clearly took the view that the policy detail was missing. Mr Jeremy Hawkins, vice president of Bank of America, said that sterling investors were worried by the strong emphasis on growth as the guiding principle of policy with little mention of inflation. And there was a strong feeling on Thursday night that cuts in UK interest rates would be announced as Friday trading opened in London. The pound therefore broke an important barrier of DM2.40 in Asia, slipping to DM2.3952 against the D-Mark and to $1.5575.

However, the Bank of England did not cut interest rates when London opened, and the pound recovered some of its lost ground, peaking at DM2.4127. It later closed in London at DM2.41, down 1 pfennig on the day.

The market's focus for the next few trading days will be firmly fixed on the US Presidential election. With the approach of polling day, the market has become increasingly unwilling to take a bet on the result.

In part, that has been because of the narrowing of Mr Clinton's lead. A CNN/USA Today poll yesterday put him neck-and-neck with President Bush.

According to Mr Hawkins, a Clinton victory will probably be followed by a short-term rise in the dollar. The incoming President's commitment to increased fiscal spending would make another ease in US interest rates unlikely.

If Mr Bush wins, however, there could be a fall in the dollar/D-Mark rate. The dollar has been supported by republican victories in the past, but, in recent weeks, dealers have talked themselves into thinking that a Clinton victory would be good for the currency. "If it doesn't happen there will be some unwinding of positions," says Mr Hawkins. A Bush victory would also give dealers more time to focus on the plight of the US economy.

Until the election, the dollar will probably trade quietly against the D-Mark. Yesterday, it closed at DM1.5420 from a previous DM1.5410.

£ IN NEW YORK

Oct.30	Latest	Previous Close
£ Spot	1.5585-1.5595	1.5725 1.5735
1 month	0.67-0.66pm	0.68 0.67pm
3 months	1.52-1.50pm	1.55 1.52pm
12 months	4.10-4.00pm	4.10 4.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.30	Previous
8.30 am	78.2	79.1
9.00 am	78.2	79.0
10.00 am	78.4	78.9
11.00 am	78.4	78.9
Noon	78.4	78.8
1.00 pm	78.4	78.7
2.00 pm	78.3	78.7
3.00 pm	78.4	78.6
4.00 pm	78.4	78.6

CURRENCY MOVEMENTS

Oct 30	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.4	-31.5
U.S Dollar	63.7	-14.3
Canadian Dollar	96.2	-5.6
Austrian Schilling	113.8	+15.1
Belgian Franc	115.9	+1.4
Danish Krone	115.1	+8.4
D-Mark	124.5	+30.4
Swiss Franc	113.3	+21.2
Dutch Guilder	119.2	+20.3
French Franc	109.0	-7.9
Lira	89.4	-27.7
Yen	148.7	+85.2
Peseta	99.4	-24.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.29

CURRENCY RATES

Oct 30	Bank § rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.893493	0.815887
U.S Dollar	3.00	1.40609	1.27874
Canadian $	6.30	1.74650	1.58909
Austrian Sch	8.25	15.1984	13.8309
Belgian Franc	7.75	44.5625	40.4497
Danish Krone	9.50	8.32335	7.55480
D-Mark	8.25	2.16566	1.96542
Dutch Guilder	7.75	2.44196	2.21196
French Franc	10¼	7.35737	6.66863
Italian Lira	14.00	1855.95	1680.25
Japanese Yen	3.25	173.019	157.451
Norway Krone	-	8.82321	8.01131
Spanish Peseta	-	153.942	139.683
Swedish Krona	50.0	8.15040	7.40390
Swiss Franc	6.00	1.92775	1.75571
Greek Drach	19	N/A	255.313
Irish Punt	-	N/A	0.746579

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct.29

OTHER CURRENCIES

Oct 30	£	$
Argentina	1.5460 - 1.5485	0.9900 - 0.9910
Australia	2.2465 - 2.2485	1.4385 - 1.4395
Brazil	12404.1 - 12412.3	7943.70 - 7943.90
Finland	7.5745 - 7.6605	4.8600 - 4.8700
Greece	308.250 - 314.400	197.070 - 201.020
Hong Kong	12.1105 - 12.1310	7.7305 - 7.7315
Iran	2316.00*	1435.00*
Korea(Sth)	1217.15 - 1236.75	779.40 - 785.60
Kuwait	0.46600 - 0.46660	0.29660 - 0.29690
Luxembourg	49.50 - 49.60	31.65 - 31.75
Malaysia	3.9250 - 3.9335	2.5090 - 2.5110
Mexico	4900.00 - 4903.15	3133.00 - 3135.00
N Zealand	2.9755 - 2.9795	1.9025 - 1.9050
Saudi Ar	5.8120 - 5.9075	3.7495 - 3.7505
Singapore	2.5320 - 2.5395	1.6210 - 1.6220
S Af (Cm)	4.6215 - 4.6340	2.9510 - 2.9525
S Af (Fn)	6.8300 - 4.8745	4.3670 - 4.3955
Taiwan	39.55 - 39.70	25.30 - 25.40
U.A.E.	5.6910 - 5.7960	3.6715 - 3.6735

*Floating rate. Was Official rate £104.15 $64.60

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.5625	1.5559	1.5472	1.5371	1.5215
D-mark	2.4100	2.4083	2.4004	2.3895	2.3766
French Fr.	8.1750	8.1861	8.1245	8.0718	7.9980
Swiss Fr.	2.1550	2.1516	2.1496	2.1492	2.1428
Yen	192.50	191.79	190.71	189.45	187.04

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct. 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4497	-3.59	4.10	50
Dutch Guilder	2.29193	2.21196	-3.49	3.99	46
D-Mark	2.03412	1.96542	-3.38	3.87	52
Danish Krone	7.75901	7.55480	-2.63	3.08	3
French Franc	6.82216	6.66863	-2.25	2.67	-17
Irish Punt	0.799300	0.746579	-1.68	2.07	-40
Portuguese Escudo	176.844	175.622	-0.69	1.06	-10
Spanish Peseta	139.176	139.683	0.36	0.00	-29

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5575 - 1.5770	1.5620 - 1.5630	0.67-0.65cpm	5.07	1.55-1.52pm	3.93
Canada	1.9275 - 1.9565	1.9385 - 1.9395	0.26-0.07cpm	1.02	0.85-0.49pm	1.39
Netherlands	2.6890 - 2.7205	2.7050 - 2.7150	0.14-0.23cdis	-0.82	0.90-1.03dis	-1.42
Belgium	49.10 - 49.75	49.50 - 49.60	par-5cdis	-0.61	13-21dis	-1.37
Denmark	9.1630 - 9.2840	9.2575 - 9.2675	2.25-3.94oredis	-4.01	7.05-10.34dis	-3.75
Ireland	0.9075 - 0.9180	0.9130 - 0.9140	0.58-0.67cdis	-8.21	1.73-1.96dis	-8.08
Germany	2.3980 - 2.4185	2.4075 - 2.4125	0.14-0.20pfdis	-0.85	0.92-1.00dis	-1.59
Portugal	213.85 - 215.35	213.85 - 214.85	250-365cdis	-17.21	600-810dis	-13.16
Spain	169.25 - 172.25	171.30 - 171.60	70-90cdis	-5.60	240-280dis	-6.07
Italy	2046.40 - 2065.60	2059.75 - 2060.75	10.60-12.50lidis	-6.73	34.50-39.60dis	-7.19
Norway	9.7260 - 9.8340	9.8200 - 9.8300	1.23-2.92oredis	-2.53	5.73-9.80dis	-3.16
France	8.1310 - 8.1895	8.1700 - 8.1800	1.03-1.24cdis	-1.67	4.96-5.28dis	-2.51
Sweden	8.9940 - 9.0930	9.0775 - 9.0875	2.33-4.01oredis	-4.19	8.79-12.08dis	-4.60
Japan	192.00 - 193.90	192.00 - 193.00	0.74-0.69ypm	4.46	1.82-1.76pm	3.72
Austria	16.79 - 17.01	16.94 - 16.97	par-¼grodis	-0.18	1-1¼dis	-0.27
Switzerland	2.1405 - 2.1600	2.1500 - 2.1600	0.38-0.30cpm	1.89	0.61-0.49pm	1.02
Ecu	1.2230 - 1.2315	1.2270 - 1.2280	0.20-0.24cdis	-2.15	0.83-0.92dis	-2.85

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.57-2.52pm . 12 Month 4.15-4.05pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5575 - 1.5770	1.5620 - 1.5630	0.67-0.65cpm	5.07	1.55-1.52pm	3.93
Ireland†	1.7025 - 1.7190	1.7055 - 1.7065	1.75-1.65cpm	11.96	4.64-4.35pm	10.54
Canada	1.2385 - 1.2440	1.2400 - 1.2410	0.37-0.47cdis	-4.06	0.70-0.90dis	-2.58
Netherlands	1.7225 - 1.7390	1.7345 - 1.7355	0.84-0.87cdis	-5.91	2.32-2.37dis	-5.41
Belgium	31.50 - 31.80	31.65 - 31.75	14.00-16.00cdis	-5.68	40.00-44.00dis	-5.30
Denmark	5.8840 - 5.9330	5.9250 - 5.9300	4.00-5.00oredis	-9.11	10.50-12.50dis	-7.76
Germany	1.5295 - 1.5450	1.5425 - 1.5435	0.75-0.76pfdis	-5.87	2.15-2.17dis	-5.60
Portugal	137.20 - 137.50	137.30 - 137.40	210-230cdis	-19.22	535-585dis	-16.31
Spain	108.65 - 110.05	109.75 - 109.85	92-100cdis	-10.49	270-285dis	-10.11
Italy	1310.00 - 1320.05	1318.25 - 1318.75	12.50-13.50liredis	-11.83	35.50-38.50dis	-11.22
Norway	6.2380 - 6.2960	6.2850 - 6.2900	3.50-4.50oredis	-7.63	10.00-12.50dis	-7.16
France	5.1910 - 5.2450	5.2300 - 5.2350	2.92-2.98cdis	-6.77	8.45-8.55dis	-6.50
Sweden	5.7630 - 5.8210	5.8100 - 5.8150	4.00-5.00oredis	-9.29	11.50-13.50dis	-8.60
Japan	122.90 - 123.70	123.20 - 123.30	0.06-0.07ydis	-0.63	0.06-0.07dis	-0.21
Austria	10.7850 - 10.8325	10.8150 - 10.8200	4.65-5.05grodis	-5.38	12.00-14.00dis	-4.81
Switzerland	1.3660 - 1.3790	1.3780 - 1.3790	0.35-0.38cdis	-3.18	0.99-1.03dis	-2.93
Ecu	1.2705 - 1.2815	1.2725 - 1.2735	0.80-0.75cpm	7.31	2.20-2.10pm	6.76

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8⅝ - 8½	8⅝ - 8½	8¼ - 8⅛	7⅞ - 7¾	6⅞ - 6¾	6⅝ - 6½
US Dollar	3⅛ - 2⅞	3⅛ - 3⅛	3¼ - 3⅛	3⅜ - 3¼	3⅝ - 3½	3⅞ - 3¾
Can. Dollar	8⅝ - 8⅜	8⅝ - 7⅞	7⅛ - 6⅞	6⅛ - 6	5⅝ - 5½	5⅞ - 5⅝
Dutch Guilder	9 - 8⅞	9 - 8⅞	9 - 8⅞	8⅞ - 8¾	8⅝ - 8½	7¾ - 7⅝
Swiss Franc	6¼ - 6	6¼ - 6	6¼ - 6⅛	6⅜ - 6¼	6¼ - 6⅛	6 - 5⅞
D-Mark	9 - 8⅞	9 - 8⅞	9 - 8⅞	8⅞ - 8¾	8½ - 8⅜	7⅞ - 7¾
French Franc	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9¾	9⅝ - 9½	9½ - 9⅜	9 - 8⅞
Italian Lira	15 - 13	15½ - 14½	15¼ - 14¾	14⅝ - 14¼	14 - 13½	13¼ - 13
Belgian Franc	9⅝ - 9½	9⅝ - 9½	8⅞ - 8¾	8⅞ - 8¾	8½ - 8⅜	8⅛ - 8
Yen	4⅛ - 4⅛	4⅛ - 4	3⅞ - 3¾	3⅝ - 3½	3½ - 3⅜	3⅜ - 3¼
Danish Krone	12 - 11	13 - 12	13 - 12½	12⅞ - 12⅝	12⅛ - 11⅞	11½ - 11
Asian $Sing	1½ - 1⅜	1⅝ - 1½	1⅞ - 1¾	[illegible]	[illegible]	[illegible]
Spanish Peseta	13½ - 13¼	13¾ - 13½	13⅝ - 13½	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 4¼-4⅛ per cent; three years 5⅛-5 per cent; four years 5½-5⅜ per cent; five years 6¼-6⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.30	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.563	2.410	192.5	8.175	2.156	2.710	2060	1.939	49.55	171.5	1.228
$	0.640	1	1.542	123.2	5.230	1.379	1.734	1318	1.241	31.70	109.7	0.786
DM	0.415	0.649	1	79.88	3.392	0.894	1.124	854.8	0.805	20.56	71.16	0.510
YEN	5.195	8.119	12.52	1000.	42.47	11.19	14.08	10701	10.07	257.4	890.9	6.379
F Fr.	1.223	1.912	2.948	235.5	10.	2.636	3.315	2520	2.372	60.61	209.8	1.502
S Fr.	0.464	0.725	1.118	89.33	3.794	1	1.258	955.9	0.900	22.99	79.58	0.570
N Fl.	0.369	0.577	0.889	71.03	3.017	0.795	1	760.1	0.715	18.28	63.28	0.453
Lira	0.485	0.759	1.170	93.45	3.968	1.046	1.316	1000.	0.941	24.05	83.25	0.596
C$	0.516	0.806	1.243	99.28	4.216	1.111	1.398	1062	1	25.55	88.45	0.633
B Fr.	2.018	3.154	4.864	388.5	16.50	4.349	5.469	4157	3.913	100.	346.1	2.478
Pta	0.583	0.911	1.405	112.2	4.767	1.257	1.580	1201	1.131	28.89	100.	0.716
Ecu	0.814	1.273	1.963	156.8	6.657	1.755	2.207	1678	1.579	40.35	139.7	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS · LIFFE US TREASURY BOND FUTURES OPTIONS · LIFFE BUND FUTURES OPTIONS · LIFFE EUROMARK OPTIONS · LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS · LIFFE SHORT STERLING OPTIONS · LIFFE EURO SWISS FRANC OPTIONS · LONDON (LIFFE) · CHICAGO · PARIS

[illegible]

Estimated volume * Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5625	1.5559	1.5472	1.5371	1.5215

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
107	3.45	-	-	0.02	0.24	-
108	2.47	-	-	0.05	0.36	-
109	1.54	-	-	0.12	0.58	-
110	0.77	2.02	-	0.32	0.83	-
111	0.25	1.43	-	0.81	-	-
Open Int	270,868	132,340	10,042	226,548	98,422	1,760

Estimated volume 41,458 † Total Open Interest 739,970
† All Yield & Open interest figures are for the previous day.

BANK RETURN

BANKING DEPARTMENT	Wednesday October 28, 1992		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	2,197,981,583	-	1,910,354,277
Bankers Deposits	1,597,703,577	+	116,508,510
Reserve and other Accounts	3,673,942,449	+	698,277
	7,484,180,609	-	1,793,152,490
ASSETS			
Government Securities	1,276,781,175	-	58,035,000
Advance and other Accounts	3,164,936,165	-	1,034,280,803
Premises Equipment & other Secs	3,037,702,346	-	695,277,635
Notes	4,548,309	-	7,559,791
Coin	212,614	+	539
	7,484,180,609	-	1,793,152,490
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	16,165,451,691	+	37,559,791
Notes in Banking Department	4,548,309	-	7,559,791
	16,170,000,000	+	30,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	6,183,176,104	-	585,916,250
Other Securities	9,975,808,796	+	615,916,250
	16,170,000,000	+	30,000,000

MONEY MARKETS

Facing the realities

STERLING and Euromark futures again fell sharply yesterday, reflecting the growing belief that official policy will be eased on the continent more slowly than expected, *writes James Blitz.*

In European cash and futures markets, the dominant sentiment is that central banks will ease credit policy before the end of the year. The UK government has put increasing emphasis on the need for growth, the Bundesbank is faced with the reality of German economic stagnation, and the Bank of France, which cut one of its key repo rates this week by 1.5 percentage points, is confident that the intense speculative selling of the franc on the foreign exchanges is over.

But when will the next round of rate easing come?

Throughout this week, markets have started to think that the easing will occur later than had been expected, firming rates.

Yesterday, German 3-month money was trading at 8.85 per cent, 10 basis points above the rate of the Bundesbank's most recent injections. The December short sterling contract fell another 26 basis points from its opening level, to close at 93.34.

And, although 3-month French francs are nearly 200 basis point lower than they were a month ago, they are, at 9¾ per cent, still 90 basis points above the 3 month D-Mark cash rate. "There is still room for a move downwards in French rates," said one London-based commercial bank dealer yesterday.

However, recent policy signals from the Bundesbank have injected a strong note of caution. Officials in the German central bank reiterated this week that inflationary pressures in the German economy remained high. And the continuing debate in the German government over whether to meet the growing fiscal deficit through tax hikes or a cut in lending to eastern Germany may make the Bundesbank's final decisions on rates more drawn-out.

A UK fund manager said yesterday that if German rates are not lowered again soon, the recession will force the Bundesbank to reduce them in the New Year at speed. "That will not be good for the stability of the D-Mark or the European exchange rate mechanism," he said.

UK clearing bank base lending rate
8 per cent
from October 16, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.30) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	-	Three year	4.85
Broker loan rate	5	Two month	-	Five year	5.87
Fed.funds	3	Three month	3.01	Seven year	6.33
Fed.funds at intervention	-	Six month	3.29	10-year	6.77
		One year	3.49	30-year	7.63
		Two year	4.40		

Oct.30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.85-8.95	8.75-8.90	8.70-8.85	8.70-8.80	8.30-8.45	9.50
Paris	9⅝-9⅜	9⅞-9⅝	-	9⅞-9⅝	-	9.60
Zurich	6⅛-6⅞	6⅛-6⅞	-	6⅛-6⅞	-	-
Amsterdam	8.75-8.88	8.65-8.75	-	8.55-8.65	-	-
Tokyo	3⅞-4	3⅞-3⅞	-	-	-	-
Milan	14⅝-14¾	14⅞-14⅞	-	14⅞-14⅞	-	-
Brussels	9⅞-9⅞	8¾-9	-	8⅞-8⅞	-	-
Dublin	14⅝-15	14⅝-15	14⅝-14⅝	13⅞-14⅛	12-12⅛	-

LONDON MONEY RATES

Oct 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9	8¼	8⅛	7¾	7⅛	6¾
Interbank Bid	4	7¾	8⅛	7½	6⅞	6½
Sterling CDs	-	-	8⅛	7⅞	7	-
Local Authority Deps.	8⅛	8½	8¼	7¾	6¾	6⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	8½	8½	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	8¼	7⅝	7	6⅝
Treasury Bills (Buy)	-	-	7⅞	6¾	6⅞	-
Bank Bills (Buy)	-	-	7⅞	6⅞	6¼	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.12	3.33	3.37	3.65
SDR Linked Dep. Offer	-	-	5⅞	5⅞	5½	5⅞
SDR Linked Dep. Bid	-	-	5¼	5¼	5¼	5⅞
ECU Linked Dep. Offer	-	-	10⅞	10¼	9⅞	9⅞
ECU Linked Dep. Bid	-	-	10⅞	10	9½	8⅞

Treasury Bills (sell); one-month 7⅞ per cent; three months 6¾ per cent; six months 6⅞ per cent; Bank Bills (sell): one-month 7⅞ per cent; three months 6⅞ per cent; Treasury Bills; Average tender rate of discount 6.7575. ECGD Fixed Rate Sterling Export Finance. Make up day October 30, 1992. Agreed rates for period November 25, 1992 to December 25, 1992, Scheme I: 9.77 p.c., Schemes II & III: 9.63 p.c. Reference rate for period October 1, 1992 to October 30, 1992, Scheme IV&V: 8.454 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ from November 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 4¼ per cent; one-three months 7 per cent; three-six months 6½ per cent; six-nine months 6¼ per cent; nine-twelve months 6 per cent; Under £100,000 4¼ per cent from Oct 20, 1992. Deposits withdrawn for cash 4 per cent.

BASE LENDING RATES

	%		%		%
Adam & Company	8	Credit Lyonnais	8	McDonnell Douglas Bnk.	8
Allied Trust Bank	8	Cyprus Popular Bk	8	Midland Bank	8
AIB Bank	8	Duncan Lawrie	8	Mount Banking	8
● Henry Ansbacher	8	Equatorial Bank plc	8	NatWestminster	8
B & C Merchant Bank	13	Exeter Bank Limited	8.5	Northern Bank Ltd	8
Bank of Baroda	8	Financial & Gen. Bank	8	Nykredit Mortgage Bank	8.5
Banco Bilbao Vizcaya	8	● Robert Fleming & Co.	8	● Rea Brothers	8
Bank of Cyprus	8	Girobank	8	Roxburghe Bank Ltd.	10
Bank of Ireland	8	● Guinness Mahon	8	Royal Bk of Scotland	8
Bank of India	8	Habib Bank AG Zurich	8	● Smith & Williamson Secs.	8
Bank of Scotland	8	● Hambros Bank	8	Standard Chartered	8
Banque Belge Ltd	9	Hampshire Trust Plc	13.5	TSB	8
Barclays Bank	8	Heritable & Gen Inv Bnk.	8	Unibank plc	8
Brit Bk of Mid East	8	● Hill Samuel	8	● United Bk of Kuwait	8
● Brown Shipley	8	C. Hoare & Co.	8	Unity Trust Bank Plc	8
CL Bank Nederland	8	Hongkong & Shanghai	8	Western Trust	8
Citibank NA	8	Julian Hodge Bank	8	Whiteaway Laidlaw	8
City Merchants Bank	8	● Leopold Joseph & Sons	8	Yorkshire Bank	8
Clydesdale Bank	8	Lloyds Bank	8		
Co-operative Bank	8	Meghraj Bank Ltd	8		
Coutts & Co	8				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate' Int Cr: Frequency at which interest is credited to the account.

MONTHLY AVERAGES OF STOCK INDICES

	October	September	August	July
FT-SE Actuaries Indices				
100 Index	2587.1	2452.4	2344.1	2443.3
Mid 250	2456.6	-	-	-
350 Share	1244.9	-	-	-
Industrial Group	1292.31	1236.99	1199.23	1256.74
500 Share	1364.42	1301.03	1258.02	1319.06
Financial Group	772.13	701.50	660.35	703.78
All-Share	1221.45	1156.91	1114.83	1171.62
Eurotrack 100	1002.18	1035.4	1039.99	1099.17
Eurotrack 200	*1074.88*	*1089.87*	*1073.01*	*1130.34*
FT Indices				
Government Securities	91.18	89.00	88.11	89.31
Fixed Interest	105.10	104.82	104.58	105.92
Ordinary	1899.1	1794.5	1741.1	1856.5
Gold Mines	72.7	75.0	83.6	90.1
SEAQ Bargains(4.45pm)	23,827	23,767	17,883	20,083

	Highest CloseOct	Lowest CloseOct
FT-SE 100	2669.8 (27th)	2446.3 (5th)
FT-SE Mid 250	2541.2 (9th)	2345.5 (5th)
FT-SE 350	1285.3 (27th)	1181.8 (5th)
FT-A All Share	1260.51 (27th)	1161.71 (5th)
Ordinary	1981.7 (23rd)	1779.3 (5th)

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

No. of bargains included 4727

Treasury 13¾% Stk 2000/03 – £130¾
Exchequer 10½% Stk 2005 – £115⅝
Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) – £126⅝ ¾ ⅝ ⅝

Corporation and County Stocks

No. of bargains included 2

Corp of London 3½% Deb Stk 83/93 – £98 (28Oc92)
Birmingham District Council 11½% Red Stk 2012 – £114 ¼ (28Oc92)

[illegible]

Marks & Spencer Finance PLC 9¾% Gtd Nts 1993 – £100 (28Oc92)
Municipality Finance Ld 9¾% Gtd Nts 1997 (Br £Var) – £104¼ ⅜
National Power PLC 10⅜% Bds 2001 (Br £10000&100000) – £109⅜ (28Oc92)
National Westminster Bank PLC 11¾% Subord Nts 2001 (Br £Var) – £115.5125 (27Oc92)
Nationwide Building Society 11¼% Nts 1995 (Br £5000&100000) – £107⅜ ¾ (28Oc92)
11¼% Nts 1997 (Br £5000 & 100000) – £111.1 .2 (28Oc92)
FltgRateNts 1996(2nd Ser)(Br£5000&50000) – £99¾♦ 99.3♦
New Zealand 8¾% Bds 1993 – $101.737 (28Oc92)

[illegible]

UK Public Boards

[illegible]

Foreign Stocks, Bonds, etc-(coupons payable in London)

[illegible]

Sterling Issues by Overseas Borrowers

[illegible]

Listed Companies(excluding Investment Trusts)

[illegible]

Investment Trusts

[illegible]

Pfg Red Prf 0.1p Europe Index Fund – £12.59 12.62
Lloyds Smaller Co's Inv Tst PLC Package Units (Comp 1Div&1CapShare) – 78 (28Oc92)
Dividend Shs 1p – 28¾ (28Oc92)
Capital Shs 1p – 51 (27Oc92)
London & St Lawrence Investment PLC Ord 5p – 108 9½
Merchants Trust PLC 3.65% Cum Prf Stk £1 – 50 (28Oc92)
Merlin Intl Green Inv Tst PLC Ord 25p – 71
Moorgate Smaller Co's Inc Trust PLC Ord 25p – 92 ½ ⅞ 3½ 4 (27Oc92)
Wts to Sub for Ord – 33 (28Oc92)
Morgan Grenfell Equity Inc Tst PLC Ord 25p – 84
Wts to Sub for Ord – 14 4
Murray International Trust PLC 3.9% Cum Prf £1 – 52 (28Oc92)

Miscellaneous Warrants

[illegible]

USM Appendix

[illegible]

Rule 535(2)

[illegible]

Select Industries PLC Ord 2½p – £0.035 0.04 0.045
New Ord 7½p(2½p Regd) – £0.0075 0.01 (28Oc92)
Severn Valley Railway(Hldgs)PLC Ord £1 – £0⅞
Shepherd Neame Ld "A" Ord £1 – £4.35 (26Oc92)
Southern Newspapers PLC Ord £1 – £2.28 2.3‡ 2.33 (27Oc92)
Tadpole Technology PLC Ord 10p – £0.45 (28Oc92)
Thwaites(Daniel)& Co PLC Ord 25p – £1⅞ (28Oc92)
Vista Entertainments PLC Ord 5p – 0⅛
Wadworth & Co 9¼% Cum Prf £1 – £0.91 (27Oc92)
10% Cum Prf £1 – £0.985 (28Oc92)
Weetabix Ld "A" Non.V Ord 25p – £11.35 11.4 (27Oc92)
Yates Bros Wine Lodges PLC Ord 25p – £1 (23Oc92)

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation Inv A$1.78 (27 10)
Cape Range Oil A$0.34 (27.10)
Cheyenne Resources $24.74♦
City Developments S$3.44
Cosic Investment Co $8.45♦ (23.10)
Forest Laboratories $37.54♦ (26.10)
Idaho Power Co $25.83♦ (27.10)
Kalgoorlie Resources A$0.010056 (28.10)
Killinghall Tin (Malaysia) Berhad Ord M$1.29 (27.10)
Kulim Malaysia Ord 23.0 (26.10)
Kulim Malaysia Ord (Malay Ord) M$1.46 (27.10)
Malaysian Plantations 15.0
Mount Martin Gold Mines 14.0
National Electronics (Holdings) 5.0
Oil Search 28.0
Playmates Hldgs HK$2.90♦
Robinson & Co S$6.45 (27.10)
Storer Communications SK180.27 (28.10)
United Plantations Berhad M$3.2
Wong Industrial Hldgs HK$12.2 (28.10)

By Permission of the Stock Exchange Council

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LONDON STOCK EXCHANGE

More optimistic note as account ends

By Terry Byland
UK Stock Market Editor

Account Dealing Dates		
*First Dealings:		
Oct 19	Nov 2	Nov 16
Option Declarations:		
Oct 29	Nov 12	Nov 26
Last Dealings:		
Oct 30	Nov 13	Nov 27
Account Day:		
Nov 9	Nov 23	Dec 7

*New time dealings may take place from 8.30am two business days earlier.

THE TWO-WEEK trading account in the London equity market closed on a more optimistic note yesterday. The City of London interpreted Thursday night's speech by Mr Norman Lamont, the UK chancellor of the exchequer, as confirmation that domestic interest rates are headed lower, while the latest political reports suggested that Mr John Major's government will next week secure the support needed for the Maastricht proposals.

Equities closed just under the day's best levels, however, and the government bond sector heeded a warning from the chancellor against over-enthusiasm on interest rate prospects. Long-dated gilts shed about ⅛ of a point while index-linked gilts, the securities markets' prime anti-inflation hedge instruments, put on ¾ of a point.

The final reading showed the FT-SE Index at 2,658.3, plus 16 on the day. This week has seen the Footsie give back 19.4 points as hopes for another early reduction in base rates from the present 8 per cent level have been cooled by the Bank of England. But over the two-week equity account, the Footsie has gained around 3.4 per cent in the wake of the UK government's move to a policy of economic growth.

Yesterday's recovery in share prices indicated significant confidence for the medium term in the face of a round of very gloomy trading reports this week from leading names in British industry – notably ICI and British Steel.

Trading volume remained brisk, with the Seaq-reported total at 558.3m shares compared with 567.1m in the previous session.

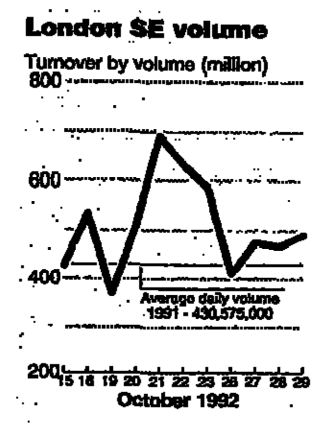
Thursday's retail or customer business was worth £1.3bn, maintaining the improved trading volumes of the past two months.

The London market came off the top at the close when Wall Street came in with a fall of 21 Dow points early in its new session. Now that tensions on the domestic political front appear to be easing, the next test for investment confidence is the US presidential election; the latest opinion polls from across the Atlantic were indicating a dead heat between President Bush and Governor Clinton.

ICI remained depressed following the third quarter trading report which has cast over the UK blue chip company the same worries over the dividend outlook as have already unsettled other European chemical groups.

● After slipping back from the best levels achieved following sterling's exit from the ERM network, retail business has begun to rise again.

London SE volume



Prudential statement awaited

THE gathering on Monday of at least 100 top UK fund managers for the unveiling of the restated 1990 and 1991 accounts of **Prudential Corporation**, one of the leading UK insurance institutions, was foreshadowed yesterday by a sharp rise in Prudential shares. In a generally strong equity market, the shares closed 6½ higher at 278½p on turnover of 5.5m.

Mr Mick Newmarch, Prudential's chief executive, is expected to reveal a big increase in Prudential's profits for 1990 and 1991 which have been recalculated on the "accruals method of accounting.

There was general agreement that anything less than a doubling of life profits under the new accounting process would be disappointing. For 1990, Prudential reported pretax profits of £244m and for 1991, £267m. The move to accruals accounting among insurers has developed since Pearl Assurance, the UK life company, was taken over by Australian Mutual Provident, a strike which frightened the whole of the sector.

Life sector analysts are divided over outlook for Prudential shares after the details are announced on Monday. Kleinwort Benson is cautious and has told clients to reduce overweight holdings, noting that the shares have performed this year and that there may be a sense of anti-climax and some profit-taking short-term.

County NatWest highlighted the stock's outperformance but said it still offers good value. Mr John Marr at Charterhouse Tilney, was more aggressively bullish; "The shares could go much higher, possibly over 300p; we think historic earnings will be more than doubled and also that Prudential will produce a chunk of life assets that wil pleasantly surprise the market.

Steel hit again

Badly-mauled British Steel suffered again yesterday in anticipation of a cut in profit forecast from a leading UK securities house. The 6 per cent fall in the shares was the biggest in percentage terms in the FT-SE 100 Index list; they closed 3 off at 47p, within a whisker of their all-time low, on turnover of 6m.

Smith New Court analyst Mr Ian Lowe had planned to discuss Steel's prospects at the morning meeting but decided against it because he needed to do more work on the figures. However, the news that Smith was expected to produce bearish views leaked into the market and the shares were hit towards the close of trading.

Mr Lowe confirmed that he would be increasing his loss forecast in the light of the recent announcement of plans to cut production by 20 per cent. He added that "The shares are not being valued on any coherent grounds at the moment" and said he would be "urging people to sell the shares on Monday."

Glaxo setback

Shares in Glaxo turned sharply down yesterday afternoon as word reached the market of an article in the medical press believed to be highly critical of one of the company's leading drugs. The stock fell sharply after highlights of the article, on Glaxo's anti-nausea drug Zofran, were carried by an international newswire. Glaxo fell to 796p and closed 10 off at 799p with 5.2m traded.

The article, in The Lancet, the premier UK medical journal, discussed perceived links with Zofran and chest pains. As a result of the reports and the fall in the share price, Glaxo published late yesterday a strongly worded rejection of The Lancet article.

Analysts' reactions on The Lancet study ranged from caution to scepticism. Most pointed out that Glaxo had had a good run recently and traders were looking for excuses to take profits on the last day of the account.

Publisher **Dorling Kindersley** came to the market on a high note. The flotation was six times oversubscribed and the shares which were issued at 165p began trading at 193p. They closed a further 20 higher at 213p.

A series of profit downgrades left **Standard Chartered** the weakest of the big banking stocks. The shares closed 8 lower at 485p having been even lower during very early trading; turnover was 2.8m shares.

County NatWest lowered its current year profits estimate from £220m to £175m.

There was no let up in the takeover speculation surrounding **Royal Insurance** which jumped a further 10 to 225p on heavy turnover of 4.6m shares.

The exploration and production sub-sector attracted a fresh bout of strong support, especially **Enterprise Oil** which raced up 14 more to 456p on higher than usual turnover of 2.2m. Dealers said the shares had lagged behind Lasmo and were in the process of catching up. Lasmo were barely changed at 176p.

Blue Circle Industries (BCI), a strong market since news of the Tomkins' counter to Hanson's bid for RHM, jumped a further 5 to 167p, after 69p on heavy turnover of 5.2m shares. Dealers said relatively high turnover in BCI during the past two months had raised the possibility of a stakebuilder in the background. Lafarge Coppée, the French group was suggested as a predator.

Magazine publisher **Reed International** rose 7 to 582p announcing new terms for the planned merger with Dutch publisher Elsevier. Analysts said the terms, which centre on Reed taking a stake of about 5.8 per cent in Elsevier, *were good but slightly lower* than market expectations of about 7 per cent. However, the market was still optimistic about the merger and also cheered by Reed's first half figures, which showed better-than-expected profit of £94m.

Specialist magazine **Euromoney** was boosted 45 to 858p. S.G. Warburg has put the group on its buy list ahead of results on November 12.

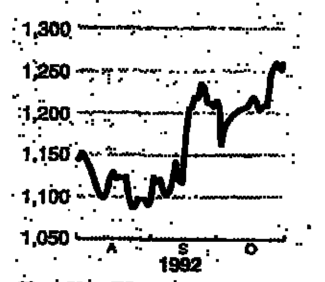
Smith New Court took a harsh view of its forecasts for **Simon Engineering** and metals group **ASW Holdings** (11 off at 50p). On Simon, the house cut its 1992 forecast by £1.8m to £12m and the figure for next year by £4.1m to £17.5m. It also reduced its dividend estimate again. The shares tumbled 35 to 79p, the worst fall in the London market.

Supermarket chain **Marks & Spencer** eased 2 to 322p as Nomura cut back its forecast for 1993 by £30m to £730m and advised clients to take profits.

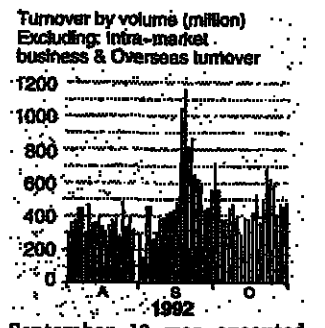
Retailer **Kingfisher** slipped 11 to 532p on profit-taking and hints of a profit downgrade.

The bought deal via which Sun Alliance disposed of a block of 60m shares in CU on September 18 was executed jointly by Smith New Court and Cazenove and not by Warburg and Cazenove as incorrectly stated in this column on Thursday.

FT-A All-Share Index



Equity Shares Traded



MARKET REPORTERS:
Peter John,
Steve Thompson.

■ Other market statistics, Page 11

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (141).
BRITISH FUNDS (25) Exch. 15pc 1997, Tr. 13pc 2000, Tr. 10pc 2003, Cv. 9½pc 2004, Cv. 9½pc 2005, Tr. 12½pc 2003-05, Tr. 8pc 2002-06, Tr. 11¾pc 2003-07, Tr. 8½pc 2007, Tr. 13½pc 2004-08, Tr. 9pc 2008, Tr. 8pc 2009, Consols 4pc, Conv. 3½pc 1961, Consols 2½pc, Tr. 2½pc, Tr. 2pc IL 1994, Tr. 2pc IL 2006, Tr. 2½pc IL 2009, Tr. 2½pc IL 2011, Tr. 2½pc IL 2013, Tr. 2½pc IL 2016, Tr. 2½pc IL 2020, Tr. 2½pc IL 2024, Tr. 4⅛pc IL 2030, OTHER FIXED INTEREST (3) African Dev. Bank 11½pc 2010, Asian Dev. 10¼pc 2009, Ireland 9pc Cap. Ln. 1998, AMERICANS (21) Ameritech, BellSouth, CPC, California Energy, Chrysler, Colgate-Palmolive, Dana, Echlin, FPL, Gen. Elect., Gen. Host, Gillette, Hasbro, Houston Inds., Lockheed, NYNEX, Pennzoil, Quaker Oats, Rep NY, Rockwell, Woolworth, CANADIANS (2) Nova Corp of Alberta, Trans. Can. Pipe, BANKS (3) Bank Ireland, Dai Ichi, HSBC, BREWERS & DISTILLERS (2) Hoh (Jos), Seagram, BUSINESS SERVICES (3) Caskel, Manpower, Salvesen, CHEMICALS (1) Croda, CONGLOMERATES (1) Sime Darby, ELECTRICALS (2) Motorola, Philips Elects., ELECTRICITY (1) China Light, ELECTRONICS (2) Cray Elect., Macro 4, FOOD MANUFACTURING (2) Greencore, RHM, FOOD RETAILING (3) Iceland Frozen, Kwik Save, Sainsbury, HEALTH & HOUSEHOLD (1) Novo Nordisk B, HOTELS & LEISURE (1) Millwall, INSURANCE BROKERS (1) Marsh & McLennan, INSURANCE COMPOSITE (2) American Intl., USF & G, INSURANCE LIFE (2) Lincoln Natl., Utd. Friendly B, INVESTMENT TRUSTS (48) Abtrust New Dawn, Do. Series B Warrants, Abtrust New Thai, Alliance, American B, ECU, EFM Dragon, Do. Warrants, First Philippine, Fleming Amer. Cv. Ln. 1999, Fleming Far Eastern, Fleming Inc & Cap Zero Div Pf, Fleming Intl. High Zero Div Pf, Gartmore Amer. Secs. Zero Div Pf, Gartmore Emerging Pacific, Gartmore Scot. Zero Div Pf, Gartmore Value Zero Pf, Gen. Cons Stepped Pf, Genesis Emerging Mkts., Govett Oriental, Henderson Euro. Zero Div Pf, Kleinwort High Inc. Zero Div Pf, Kleinwort O'seas, Malacca Fd. Port., Malaysian Emrg. Co's. Fd., Pacific Assets, Do. Warrants, Pacific Horizon, River Plate Zero Div Pf, Robeco, Do. Sub., Scot. Natl Stepped Pf, Second Alliance, Siam Fd. Ptg., Spanish Smaller Co's., Do. Warrants, TR Tech. Zero Div Pf, Thornton Asian Emg Mkts, World Tst. Fd., Do. Warrants, MEDIA (5) Carlton Comms. Pf., Euromoney Publs., Flextech, Metal Bulletin, News Intl. Special Div, MISCELLANEOUS (2) BAT Inds. 12¼pc Ln. 2003/08, Lincat, Waste Mangemt., OIL & GAS (2) Calor, Lasmo 9⅛pc Pf., OTHER FINANCIAL (3) Gerrard & Natl., Perpetual, Swire Pacific A, OTHER INDUSTRIAL MATERIALS (1) Renishaw, PROPERTY (1) HK Land, TRANSPORT (1) CSX, WATER (6) North West, Northumbrian, Severn Trent, South West, Welsh, Yorkshire, PLANTATIONS (1) Golden Hope.
NEW LOWS (38).
BUILDING MATERIALS (2) Marshalls, SWP, BUSINESS SERVICES (1) Bridgend, CONGLOMERATES (1) Cannon Street Invs., CONTRACTING & CONSTRUCTION (4) Brandon Hire, Campbell & Armstrong, Jackson, Melville, ELECTRONICS (3) Control Techniques, Northamber, Vega, ENGINEERING GENERAL (3) SKF, Simon Eng., Vortex Energy, HEALTH & HOUSEHOLD (1) Nestor-BNA, MEDIA (3) Clarke Hooper, Fitch, Osprey Comms., MERCHANT BANKS (1) Wintrust, METAL & METAL FORMING (3) Apollo Metals, Cook (Wm), Manganese Bronze, MISCELLANEOUS (7) Strong & Fisher, MOTORS (1) DAF, OIL & GAS (1) Aminex, OTHER FINANCIAL (1) Baltic 7pc Pf., PACKAGING, PAPER & PRINTING (2) Burhmann-Tetterode, Dolphin Pckg. PROPERTY (2) High-Point, Warnford, STORES (1) Beattie (J) A, TEXTILES (3) Campari, Sirdar, Wensum, TRANSPORT (1) Tibbett & Britten, MINES (1) Monarch Res. 1993 Non/Int. Cv.

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	30	40	8	230	130	30
Other Fixed Interest	5	0	10	41	9	25
Commercial, Industrial	292	199	930	1,222	1,246	4,638
Financial & Property	247	66	491	995	414	2,615
Oil & Gas	18	11	56	83	87	255
Plantations	3	0	6	14	0	31
Mines	22	14	111	146	144	445
Others	55	22	40	276	124	154
Totals	672	352	1,652	3,007	2,154	8,193

FT-SE Actuaries Share Indices — THE UK SERIES

	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2658.3	2642.3	2650.4	2669.8	2661.6	2527.8	2737.8	2281.0	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Mid 250	2521.6	2513.6	2515.3	2515.6	2509.6	2530.7	2825.8	2157.8	2825.8 (20/5/92)	1379.4 (21/1/86)
FT-SE-A 350	1281.5	1274.5	1277.8	1285.3	1281.5	1232.8	1342.7	1103.1	1342.7 (11/5/92)	664.5 (14/1/86)

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/Day	Low/Day
FT-SE 100	2649.6	2657.2	2650.6	2652.8	2654.7	2657.4	2660.6	2658.7	2658.7	2660.6	2648.0
FT-SE Mid 250	2516.0	2519.3	2518.6	2517.9	2520.6	2520.8	2521.3	2521.2	2520.7	2521.7	2515.9
FT-SE-A 350	1277.5	1280.8	1278.2	1279.0	1280.0	1281.0	1282.3	1281.6	1281.5	1282.3	1277.0

Gross dividend yield (ACT at 25%) FT-SE 100:4.53 %

FINANCIAL TIMES EQUITY INDICES

	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Year ago	* High	* Low
Ordinary share	1963.8	1948.7	1956.5	1978.5	1976.2	1935.3	2149.7	1870.0
Ord. div. yield	4.66	4.67	4.65	4.59	4.60	4.98	5.34	4.24
Earning yld % full	6.59	6.62	6.65	6.56	6.58	7.73	-	-
P/E ratio net	19.36	19.28	19.10	19.36	19.32	16.22	20.84	15.79
P/E ratio nil	17.90	17.82	17.76	18.00	17.96	15.32	-	-
Gold Mines	73.2	73.9	73.7	74.7	77.5	154.1	160.6	65.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71 Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share Hourly Changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/Day	Low/Day
1953.4	1958.4	1954.7	1956.7	1960.5	1962.7	1963.9	1964.0	1959.2	1964.6	1952.8

Volume	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Year ago
SEAQ Bargains	27,885	23,526	22,067	23,493	24,437	22,423
Equity Turnover(£m)†	-	1267.1	1110.5	1035.0	773.1	787.75
Equity Bargains†	-	28,049	26,109	26,168	27,401	21,848
Shares traded (mil)†	-	489.6	468.4	472.3	408.0	432.9

† Excluding intra-market business and overseas turnover.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	7	427	+1
ASDA Group	15,000	41½	+½
Abbey National	2,400	337	+6
Albert Fisher	9,100	46	+1
Allied-Lyons	1,600	625	-2
Amstrad	948	28	+2
Anglian Water	558	453	+5
Argos	1,000	283	
Argyll Group	2,200	365½	-1½
Arjo Wiggins	3,500	164	+1
Ass. Brit. Foods	445	442½	+2½
Ass. Brit. Ports	407	298	+9
BAA	497	733	+9
BAT Inds.	1,800	879	+4
BET	4,900	102	-4
BICC	1,800	343	+2
BOC	875	700	+5
BP	7,500	239½	+2
BPB Inds	2,400	173	+2
BT	6,300	372½	+6
BT New	3,200	267	+5½
BTR	1,600	469½	+2½
Bank of Scotland	683	114	-1
Barclays	7,200	348	+7
Bass	1,400	549	+5
Berisford Int.	503	15	
Blue Circle	5,800	167	+5
Booker	437	365	-4
Boots	2,300	472	-2
Bowater	199	849	+3
Brit. Aerospace	1,200	141	+2
British Airways	2,500	283½	+1
British Gas	5,800	289½	+1½
British Land	145	377	
British Steel	6,000	47	-3
Bunzl	1,000	100	+2
Burmah Castrol	199	643	+5
Burton	7,900	43½	-1
Cable & Wire.	2,200	605	+6
Cadbury Schweppes	848	451	
Calor Group	221	228	+5
Carlton Comms.	1,400	714	+4
Coats Viyella	4,000	208	+2

	Volume 000's	Closing Price	Day's change
Comm. Union	2,100	577	+4
Cookson	461	159	+3
Courtaulds	447	492	+4
Dalgety	590	433	-7
De La Rue	548	634	+4
Dixons	1,600	217	-3
Eastern Elect.	411	376	-5
East Midland Elect.	277	384	-3
Eng China Clays	569	429	+2
Enterprise Oil	2,500	456	+14
Eurotunnel Units	401	350	
FKI	1,600	85	+½
Fisons	1,900	222	-4
Forte	2,200	167	+4
Gen. Accident	1,900	549	+4
General Elect.	4,400	241½	
Glaxo	6,200	799	-10
Glynwed Int.	726	212	+10
Granada	1,500	285	+2
Grand Met.	2,200	404½	+1½
GUS A	480	1593	+45
GRE	4,100	165	+7
GKN	1,000	401	+9
Guinness	1,900	635	+9
HSBC (75p shs)	4,300	510	+10
Hammerson 'A'	182	204	+1
Hanson	4,200	228	+1½
Hanson Warrants	2,100	18¾	
Harrisons Crosfield	220	126	+1
Hillsdown	5,800	110	+3
IMI	228	224	+1
ICI	1,600	1025	-11
Inchcape	1,000	503	+2
Kingfisher	2,600	532	-11
Kwik Save	234	736	-1
Ladbroke	2,700	174	+2
Land Securities	414	405	-3
Laporte	291	603	
Legal & General	2,000	384	+8
Lloyds Abbey	504	380	+2
Lloyds Bank	2,800	472	+12
LASMO	1,309	178	-1
London Elect.	914	414	-6

	Volume 000's	Closing Price	Day's change
Lonrho	2,400	87	+½
Lucas	883	106	
MB Caradon	472	270	+4
MEPC	547	315	
Manweb	984	455	-6
Marks & Spencer	4,300	322	-2
Midlands Elect.	236	426	-5
NFC	1,400	252	
NatWest Bank	3,200	394	+4
National Power	3,500	242½	-3½
Next	1,600	108½	+2½
North West Water	544	494	+4
Northern Elect.	676	427	-5
Northern Foods	887	285	
Norweb	2,300	414	-10
Pearson	238	346	+7
P & O	712	431	+1
Pilkington	2,800	85	
PowerGen	4,100	244½	-4½
Prudential	5,500	278½	+6½
RHM	36,000	275	+2
RMC	671	473	+10
RTZ	1,300	630	+17
Racal	2,000	185	-2½
Rank Org.	2,100	586	+12
Reckitt & Colman	811	655	+10
Redland	1,300	343	-2
Reed Intl.	2,400	582	+7
Rentokil	175	190	+1
Reuters	1,100	1102	+4
Rolls Royce	834	130	+1
Rothmans	500	618	-1
Ryl Bk Scotland	3,400	175	+3
Royal Insurance	4,600	227	+12
Saatchi	194	151	
Sainsbury	1,800	501½	+4½
Scottish & New.	882	421	-3
Scot. Hydro-Elect.	2,500	216	-3
Scottish Power	1,800	200	-2
Sears	3,200	80	
Sedgwick	1,400	162	-4
Seeboard	335	418	-1
Severn Trent Water	1,900	437	+5

	Volume 000's	Closing Price	Day's change
Shell Transport	3,000	533	-1
Siebe	959	397	+5
Slough Ests	1,700	138	+4
Smith (W.H.) A	646	478	+6
Smith & Nephew	8,400	155¾	
SmKl Beecham	3,700	530	+12
SmKl Beecham Uts	2,900	476	+12
Smiths Inds.	315	320	+3
Southern Elect.	787	398	-5
South Wales Elect.	357	464	-4
South West Water	76	478	+4
South West. Elect.	183	420	-2
Southern Water	169	436	+5
Standard Chartd.	2,800	465	-8
Storehouse	539	187	-2
Sun Alliance	2,400	324	+3½
T&N	541	145	+1
TI Group	988	303	+1
TSB	2,900	135½	-½
Tarmac	6,300	90½	+2½
Tate & Lyle	1,800	359	-1
Taylor Woodrow	2,900	75	+6
Tesco	4,100	233	-1
Thames Water	636	481	+2
Thorn EMI	1,500	819	
Tomkins	7,000	212	
Trafalgar House	614	84½	
Unigate	1,600	278	-2
Unilever	840	1102	+5
United Biscuits	1,000	340	+8
Utd. Newspapers	486	457	+4
Vodafone	2,300	374	+7
Warburg (SG)	21	520	+1
Wellcome	709	864	-8
Welsh Water	400	469	+7
Wessex Water	74	555	+1
Whitbread 'A'	490	439	-6
Williams Hldgs.	6,000	272	+2
Willis Corroon	1,100	219	-3
Wimpey	1,000	100	+2
Wolseley	275	432	-1
Yorkshire Elect.	97	444	-6
Yorkshire Water	418	505	+5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES markets had a quieter session yesterday as the two-week equity account came to its close, writes Terry Byland.

In stock index futures, the FT-SE contract for December delivery moved erratically in thin turnover with only 6,633 contracts traded, but maintained the premium which has now been sustained for more than one month.

Interest rate optimism was encouraged by Thursday night's speech in the City of London by Mr Norman Lamont, the UK chancellor of the exchequer and with the domestic political outlook now more stable, there was support for the futures contract. At the official close, December showed a premium of about 30 points to cash. Dealers estimated the fair value premium, which allows for dividend flows and carrying costs, at about 17 from Monday morning, taking account of expectations that interest rates could fall before December expires.

In traded options, volume fell to 19,164 contracts from Thursday's 24,637. The FT-SE contract recorded only 3,415. Among individual share contracts, British Airways (1,917) headed the actives list.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.35	+0.87	8.87	8.82	8.95
BELGIUM		8.750	08/02	103.7800	-0.070	8.18	8.14	8.62
CANADA *		8.500	04/02	106.4000	+0.350	7.54	7.90	7.89
DENMARK		9.000	11/00	100.3200	-0.430	8.94	8.87	9.61
FRANCE	BTAN	8.500	03/97	101.0702	-0.081	8.17	8.11	9.02
	OAT	8.500	11/02	102.0750	-0.030	8.18	8.18	8.70
GERMANY		8.000	07/02	104.0050	-0.040	7.40	7.31	7.47
ITALY		12.000	05/02	93.7750	+0.540	13.60†	13.94	14.16
JAPAN	No 119	4.800	06/99	100.9398	+0.255	4.61	4.69	4.69
	No 145	5.500	03/02	105.1067	-0.037	4.72	4.78	4.82
NETHERLANDS		8.250	06/02	104.3950	+0.005	7.58	7.57	7.81
SPAIN		10.300	06/02	88.1000	-0.600	12.46	12.32	13.30
UK GILTS		10.000	11/96	101-03	-2/32	7.07	7.16	8.51
		9.750	08/02	110-24	+2/32	8.13	8.23	8.98
		9.000	10/08	103-20	-	8.58	8.82	9.28
US TREASURY *		6.375	08/02	97-13	-14/32	6.74	6.77	6.36
		7.250	08/22	95-20	-24/32	7.62	7.63	7.37
ECU (French Govt)		8.500	03/02	98.0000	-0.060	8.82	8.71	9.40

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Friday October 30 1992

Water	+	42.56
Banks	+	31.71
Food Retailing	+	20.95
Electronics	+	20.66
Other Industrials	+	17.94
Textiles	+	16.47
Electricity	+	15.46
Media	+	14.83
Financial Group	+	13.65
Insurance (Composite)	+	12.98
Other Groups	+	10.71
Insurance (Life)	+	9.47
Telephone Networks	+	9.23
Motors	+	8.65
Stores	+	8.32
Merchant Banks	+	7.66
Transport	+	6.47
Industrial Group	+	5.80
All-Share Index	+	5.74
500 Share Index	+	4.58
Investment Trusts	+	4.26
Conglomerates	+	3.94
Consumer Group	+	3.85
Food Manufacturing	+	2.93
Packaging, Paper & Printing	+	2.58
Capital Goods	+	2.52
Business Services	+	1.33
Brewers & Distillers	+	0.42
Health & Household	-	2.11
Engineering-General	-	3.88
Oil & Gas	-	4.33
Chemicals	-	5.71
Hotels & Leisure	-	6.11
Electricals	-	11.81
Engineering-Aerospace	-	12.39
Metals & Metal Forming	-	12.99
Building Materials	-	14.24
Insurance Brokers	-	18.61
Property	-	25.10
Contracting, Construction	-	25.36
Gold Mines Index	-	46.92

COMMODITIES

WEEK IN THE MARKETS

Coffee prices reach 9-month highs

THE RECENT turnround in coffee market sentiment following news of a smaller crop in Brazil, the biggest producer, was maintained this week. But the continued advance, which lifted robusta coffee prices at the London Futures and Options Exchange to fresh nine-month highs, chiefly reflected technical factors.

After a $12-a-tonne setback on Monday, the uptrend that last week added $47 to the January futures position got back into full swing on Tuesday, when technically-inspired US investment fund buying pushed the price up $33 to $924 a tonne. Although producers remained reluctant to sell the market needed a period of consolidation before moving further ahead, and profit-taking on Wednesday and Thursday saw the January price fall back to $915 a tonne. Yesterday, however, the bulls were back in the driving seat and the January quotation touched $944 a tonne before closing up $26 on the day and $38 on the week at $941 a tonne.

Dealers told the Reuter news agency that technically the New York and London markets looked set to move higher and that the next "upside" target was $950 a tonne for London's January contract.

Cocoa prices also moved higher early in the week, the March position in London touching a nine-month high of £734 a tonne on Tuesday. But that largely reflected sterling's weakness against the dollar. By yesterday's close the price had surrendered its rise, ending the week £3 down on balance at £705 a tonne.

The market was not looking forward with much optimism to next week's session of talks on renegotiating the moribund International Cocoa Agreement. So far little progress has been made on the crucial issues of how a new pact's price support operations would be financed, what "floor" and "ceiling" prices would be defended and how output would be controlled.

"We always approach the talks with a certain amount of optimism, but we know how the state of affairs was at the end of the second session in July," consumer spokesman Mr Jan van Sluisveld told Reuter.

"We note the positions are far away from each other."

At the London Metal Exchange cash copper ended the week at £1,452 a tonne, up *£69 a tonne*, but £40 of that reflected sterling's reduced value. Early in the week the copper price rise had also been encouraged by a threatened strike by workers at Codelco, the Chilean state metals group, over government privatisation plans. But the threat faded after union leaders welcomed the government's offer of negotiations. Copper market sentiment was depressed, meanwhile, by a further rise of 7,250 tonnes in LME warehouse stocks, taking the total to 314,400 tonnes, the highest since January.

LME zinc stocks were also up – by 9,225 tonnes to 386,800

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+8,075	to 1,423,125
Copper	+4,675	to 314,400
Lead	+4,825	to 187,575
Nickel	+438	to 56,040
Zinc	+8,450	to 386,800
Tin	-110	to 14,460

tonnes – and prices remained under pressure. The cash price ended the week at a 9¼-month low of $1,092.50 a tonne, down $16.50 on the week.

The price slide, which has wiped $237.50 off the cash zinc price since the beginning of this month, resulted in a decision this week by Curragh Resources, the Canadian mining group, to close its 500,000-tonnes-a-year Faro zinc-lead complex in the Yukon for 16 days over the Christmas period. But analysts said that would not be enough to turn the market round. "Zinc will need a much bigger shock than this," said Mr Nick Moore of Ord Minnett, part of the Westpac banking group. "Production cutbacks so far have been pretty tentative but this price of about 50 cents a lb will force producers to make more cuts."

Tin and nickel prices fell in early trading on Monday in response to news of British Steel's plans for production cuts. But dealers described that as a "knee-jerk" reaction and doubted that the BS move *would have much long-term* impact on the markets unless there was a round of substantial production cuts in the European steel industry.

Both metals ended the week lower, nevertheless, although tin steadied yesterday after the announcement of another fall in LME stocks, taking the total to the lowest level since July.

The gold price broke through the bottom of its recent trading range this week following a wave of selling, initially from Europe – principally Germany and the UK – and then, on Tuesday, from the Middle East. The $341-a-troy-ounce support level gave way and the price bottomed at $336.70 an ounce, before recovering to end the week $3.60 down on balance at $339.65 an ounce.

Richard Mooney

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

NM Unit Trust Mngrs (1200)F
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	37.89	38.01	40.54	+0.28	0.81
(Accum Units) ♥	5¼	41.15	41.28	44.05	+0.30	0.81
Australian ♥	5¼	204.80	206.00	221.00	+2.00	0.00
(Accum Units) ♥	5¼	231.60	233.00	249.90	+2.30	0.00
Conscience	5¼	53.19	54.05	57.68	+0.94	1.60
(Accum Units)	5¼	56.71	57.63	61.50	+1.00	1.60
European	5¼	152.40	154.00	164.20	+1.60	1.01
(Accum Units)	5¼	162.60	164.30	175.20	+2.20	1.02
Extra Income	5¼	64.97	65.17	69.55	+0.52	6.58
(Accum Units)	5¼	96.10	96.33	102.80	+0.78	6.58
Far East Gth Acc	5¼	127.10	129.70	138.60	+4.50	0.00
Gilt & F.I.	5¼	56.90	56.90	60.23	+0.21	7.65
(Accum Units)	5¼	130.60	130.60	138.10	+0.40	7.65
Gold ♥	5¼	26.23	26.58	28.57	+0.61	0.00
(Accum Units) ♥	5¼	28.25	28.62	30.77	+0.66	0.00
Income	5¼	44.38	44.94	47.93	+0.78	5.95
(Accum Units)	5¼	129.90	131.50	140.20	+2.20	5.95
Intnl.	5¼	25.31	25.38	27.23	+0.21	0.99
(Accum Units)	5¼	36.18	36.29	38.93	+0.30	0.99
Jap Smaller Cos	5¼	219.40	220.90	235.60	+1.50	0.00
Sing & Malaysian	5¼	123.00	125.80	134.90	+4.20	0.00
(Accum Units)	5¼	127.90	130.90	140.30	+4.40	0.00
Smaller Co's	5¼	18.89	19.25	20.69	+0.39	2.75
(Accum Units)	5¼	21.63	22.03	23.68	+0.45	2.75
Special Sits	5¼	26.63	26.83xd	28.84	+0.26	2.12
(Accum Units)	5¼	30.39	30.62	32.92	+0.42	2.12
Tokyo	5¼	56.79	57.07	60.87	-0.09	0.00
(Accum Units)	5¼	57.36	57.64	61.48	-0.09	0.00
UK Equity	5¼	143.10	144.30	153.90	+2.30	3.26
(Accum Units)	5¼	262.70	265.00	282.60	+3.90	3.26
US Smaller Cos ♥	5¼	84.42	86.05	92.03	+0.78	0.00

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	220.6	224.0xd	238.2	-0.9	5.88
(Accum Units)	5	375.9	381.6	405.9	-1.6	5.88
UK Growth	5	288.3	290.7xd	309.2	+0.4	3.42
(Accum Units)	5	358.9	361.9	385.0	+0.5	3.42
Int Equity Gth ♦	5	52.65	52.76	56.12	+0.14	1.12
Intl Bond	5	64.31	64.31	67.54	+0.33	6.29
Special Sits Gwth	5	14.52	15.00xd	15.95	+0.07	3.64
North American Gwth	5	81.98	82.23xd	87.47	+0.65	0.96
European Growth ♦	6	54.15	54.46xd	57.93	+0.50	1.15

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	118.40	118.80	125.00	+0.50	6.14
Pooled Pension ♦	3½	135.4	139.9	144.7	+0.7	-
Smaller Cos	5	50.65	52.50	55.26	+0.05	2.71
UK General	5	107.50	109.20	114.90	+0.20	2.65
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	344.32	344.32	364.98	+3.47	5.65
Global Inc	5	49.39	49.39	52.35	+0.42	4.68
Brit Leaders	5	293.42	293.42	311.02	+2.88	3.28
Intl Leaders	5	160.96	160.96	170.62	+0.94	1.92
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	45.66	48.6	48.56	+0.19	1.84
Far Eastern Tst	6	51.80	52.21	55.54	+0.49	0.88
Smaller Cos	5	107.9	112.5	119.6	+1.5	2.97
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ♦	5	247.0	247.5	261.9	+2.6	0.98
S & W Capital	5	103.8	103.8	111.2	-0.2	2.65
S & W Cash ♦	0	100.85	100.85	100.85	+0.02	8.64
S & W European	5	102.4	102.6	108.5	-0.3	1.42
S & W Far Eastern	5	105.6	106.3	112.4	+0.2	0.35
S & W Growth	5	110.9	112.0	118.5	-0.3	1.54
S & W Income	5	95.13	96.46	102.0	+0.1	5.80
S & W Magnum	5	109.9	109.9	117.9	-0.2	1.93
S & W Smllr Secs	5	241.4	246.6	260.9	+0.80	1.14
S & W Thoroughbred	5	126.7	126.7	135.9	-0.3	1.92
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	86.82	86.82	88.85	+0.51	0.00
Short Dtd Gilt	1¼	107.0	107.0	108.4	-0.2	1.93
U.S. Govmt Bond	1¼	0.7010	0.7010	0.7102	....	0.00
Gilt Income	4	51.52	51.52	53.60	-0.22	9.30
Gilt Growth	4	63.61	63.61	66.22	-0.07	0.00
City Reserve	0	54.97	54.97	54.97	+0.05	8.9
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	58.55	58.64	62.38	-0.03	2.79

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exmt Oct 28	636.5	658.2	+30.8	1.06
James Capel Fund Managers Ltd				
Managed Exempt	£17.327	18.049	+0.406	4.35
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517.80	519.90	....	5.69
Fxd Int Sec Sep 30	144.40	145.00	....	10.00
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2900				
Charinco Inc	174.9	176.9	+0.10	9.27

INSURANCES

FT MANAGED FUNDS SERVICE

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Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd.	607 1	645 9	+4.0	-
Adventurous Mngd	144 4	153 7	+0.7	-
Cautious Mngd	117.0	124.5	+0.6	-
Cash Fd.	312.7	329.6	+0.5	-
Property Fund	216 8	230.7	----	-
Equity Fund	689.5	733.6	+4.0	-
Fxd. Int. Fund	384.4	405 1	+0.9	-
International	312.3	332.3	+2.1	-
High Income	521 6	554 9	+2.7	-
Far East	421.8	448.8	+2.9	-
North American	390 5	415.5	+3.4	-
Special Sits.	482.3	513.1	+2.2	-
Technology	383 3	407.8	+2.0	-
Extra Inc Fd.	284 6	302.8	+2.0	-
Convertible & Gilt Fd.	137 1	145.9	+0 6	-
American Income	163.0	173.5	+0.5	-
Gilt Fund 20	436.9	464.8	-0.4	-
European Fund	111.8	119 0	+0 4	-
Pref & Fixed Int	104.1	110 8	+2.0	-
UK Blue Chip	108.5	114.4	+0 6	-
Recovery Fund	98.8	104 2	+0.5	-
Equity Income Dist.	95 9	102.1	+0.5	5.23
Managed Dist.	92.3	98.2	+0.8	5 94
High Yield Dist.	99 2	104 6	+1.3	7.96
Pension Funds				
Balncd Gth Mgd Pen Acc	691.5	727.9	+3.5	-
Adventurous Mgd Pen Acc	150.1	158.1	+1.0	-
Cautious Mngd Pens Acc	133.5	140.6	+0.9	-
Building Soc. Acc	359 3	378.3	+0.7	-
Property Pens. Acc	294.3	309.8	----	-
Fix. Int. Pens. Acc.	606.3	638.3	+10.4	-
Equity Pens. Acc	870.4	916.3	+4 0	-
International Pens Acc	286 4	301.5	+2.5	-
High Inc Pens Acc	577.6	608.0	+1.7	-
Tech Pens Acc	267.6	281.7	+2.0	-
N American Pens Acc.	292.4	307 8	+3.2	-
Far Eastern Pens Acc.	416 1	438.1	+3.4	-
Special Sits Pens Acc.	393.5	414.3	+1 9	-
Extra Income Pens Fd.	345.3	363.5	+2.2	-
Convertible & Gilt Pen	167 9	176.8	+1.0	-
American Inc Pens	184.5	193.3	+1.2	-

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd	166.0	174.8	+0.1	-
Equity Acc Fd	371.8	391.3	+0 1	-
Managed Acc Fd	328.9	346.3	+1.9	-
Prop Fd (1st Issue)	-	594.5	+24.4	-
Prop Acc Fd (2nd Iss)	119 4	125.7	-0.3	-
Unit Trust Mn. Fd.	146 5	154.2	+4.0	-
RL Pension Funds				
Deposit Acc	240.1	252.8	+0.1	-
Equity Acc	270.5	284.8	+0.1	-
Fixed Int Acc	243.8	256.6	+2.1	-
Gilt Indx Lnk Acc	185.3	195.1	+2.7	-
Managed Acc	360.1	379.0	+6.3	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester
Telephone 0285 640302 Helpline 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	105 3	110.9	----	-
JRA/Scottish Amicable Mngd	100.4	105.7	-0.30	-
JRA/St James's Place Mngd	108.4	114.2	+0.40	-
Deposit	98.90	104.2	----	-
Far East	111 1	117.0	+0.70	-
Gilts	104.5	110 0	+0.50	-
Greater European	107.4	113.1	+0.20	-
North American	116 7	122.9	+0.30	-
UK Equity	103.4	108.9	-0.40	-
Pension Funds				
JRA/M&G Managed cap.	102.6	108.1	+0.10	-
JRA/M&G Managed acc.	105.5	111.1	+0.20	-
JRA/Scottish Amicable Mngd cap	96.80	101.9	-0.20	-
JRA/Scottish Amicable Mngd acc	99.40	104.7	-0.20	-
JRA/St James's Pl Mngd cap	110.6	116.5	+0.70	-
JRA/St James's Pl Mngd acc	113.7	119.7	+0.80	-
Deposit cap.	99.10	104.4	----	-
Deposit acc.	101.8	107.2	----	-
Far East cap.	107.7	113.4	+0.80	-
Far East acc.	110.6	116.5	+0.90	-

Sun Alliance Group – Contd.

Albany International Assurance Ltd

St Mary's, Castletown, Isle of Man 0624 823262

Target International Group

1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

Guinness Flight Fd Mngrs (Guernsey) Ltd

PO Box 250, St Peter Port, Guernsey 0481 712176

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

مكتبة الأصل

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
IBI Global Funds Limited				
Intl Stlg Grwth	£20.00	21.06	....	-
Intl $US Grwth	$17.62	18.55	-	-
High Income Gilt	£25.87	26.81	....	-
International Equity	£20.17	21.24	....	-
International Bond	£22.40	23.22	....	-
Managed Currency	£27.28	27.57	....	-
Sterling Currency	£26.26	26.54	-	-
US$ Currency	$37.67	38.06	....	-
Irish £ Currency	I£14.98	15.14	....	-
Target International (Isle of Man) Ltd				
IBIC Offshore Fd	£8.77	9.44	....	-
B.F. Offshore Int Fd Ltd	£11.30	11.82	....	-
Nelson Abies W/W $/$	£8.85	9.23	....	-
LF M Sterling Fd	£11.03	11.50	....	-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		£- 20.8485	20.8479	....	-
Managed Capital Bd	5		£- 20.8924	20.9296	....	-
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£-	10.8771	....	-
Sterling Currency Fd	5		£-	10.4608	....	-
Ecu Currency	5		Ecu-	10.5944	....	-
US Dollar Mngd Curr	5		$-	21.4611	....	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port	£2.436	2.558xd	....	1.18
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.89	9.93	-0.01	9.46
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Oct 22	$13.72	14.00xd	....	2.86
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	52.8	55.0xd	....	8.59
UK Equity Fd (z)	208.8	220.0	-0.01	2.91
*Intl Bond Fd	98.9	102.0	....	7.19
**Natural Resources Fd	110.2	117.0	....	0.43
*Sterling Mngd Assets Fd	530.7	559.0	+0.04	5.00
*Sub. day every Thurs. **Sub. day monthly 5th and 20th				
NatWest TrustCur Currency Fund (z)				
Dollar Class		$38.0475	+0.0099	-
Sterling Class		£26.7126	+0.0052	-
D-Mark Class		DM82.7485	+0.0153	-
Dutch Guilder Class		Dfl92.2962	+0.0165	-
Japanese Yen Class		Y7904.4809	+1.3449	-
Ashburton Replica Portfolio Ltd				
Ashburton Replica P'folio Ltd £	11.09	11.92	....	-
Ashburton Replica P'folio Ltd $	$10.28	10.66	....	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Oct 29	$34.27	36.47	....	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Grwth Fd	$3.6075	3.8337	....	-
Offshore Japanese Grth Fd	$0.9025	0.9591	....	-
Offshore Am Grwth Fd	$6.0569	6.4367	....	-
Offshore Emerging Cos	$3.3958	3.6066	....	-
Offshore European Fd	$1.4720	1.5647	....	-
Offshore Far Estrn Fd	$2.1771	2.3137	....	-
Offshore UK Growth Fd	$1.7644	1.8751	....	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				

	Bid Price	Offer Price	+ or -	Yield Gross
Tudor G-5 Unit Trust (Japan)				
NAV Oct 28	$1116.02		....	-
Tyndall International (Bermuda) Ltd				
Am Special Sits (4-1)	$9.97	10.48	+0.16	-
Capital Protection	C$12.46	13.09	+0.08	4.27
Eurobond (2-1)	$13.22	13.89	-0.04	4.76
Money (z) (2-1)	$12.95	13.61	....	2.16
Mortgage (z)	C$18.76	19.72	+0.03	9.76
North American (3-1)	$11.92	12.52	+0.10	-
Overseas (1-1)	$12.92	13.57	-0.06	-
Tiger (3-1)	$12.28	12.91	+0.01	-
The Vietnam Fund Limited				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Sep 30		$9.98	....	-
Wardley Investment Services Ltd				
Wardley S.E. Asia Fd	$16.55	17.47	-0.05	0.88
Japanese Warrants	$2.02	2.15	+0.01	-
Asian Warrants	$9.13	9.67	-0.08	-
European Warrants	$4.39	4.66	-0.20	-
Managed	HK$11.06	11.70	-0.02	-
Private Capital Tst		$19.84	+0.01	-
China Fund		$9.70	....	-
Wellington Fd Mngrs (Bermuda) Ltd				
Intl Growth Fd	$12.83	13.48	....	-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)		$11.46	+0.04	-
Wells Fargo B Shs (z)		$11.46	+0.05	-
Worldwide Limited				
NAV Sep 30		$86.58	....	-
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.1370	....	-
Xiphias Int ECU		Ecu1.0445	....	-
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund		$12.78	+0.34	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¤ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: [illegible]

WORLD STOCK MARKETS

US MARKETS (3 pm)

October 30	US$	+ or −
AAR Corp	11¼	+⅛
AMP Inc	63½	−½
AMR Corp	62¾	−1
ASA	31½	+½
Abbott Labs	29¼	+⅛
Acme Cleveland	7½	..
Advanced Micro	16⅛	+⅛
Aetna Life	42⅛	+⅛
Affiliated Publ	10⅝	−⅛
Aflac	29½	−⅛
Ahmanson (HF)	15¼	
Air Prod & Chemical	47⅝	+⅝
Alberto-Culver B	23¼	−½
Albertson's	46⅛	+⅛
Alcan Aluminium	17½	+⅛
Alco Standard	34	+⅛
Alexander & Alex	25¾	+⅛
Alex & Baldwin	22xd	+⅜
Allegheny Power	46½	..
Allied Signal	56⅛	+⅛
Aluminum Co of Am	69¾	−⅛
Amax	17½	+⅛
Amdahl Corp	8	+⅛
Amerada Hess	47⅛	−1⅛
Amer Brands	42½	−⅛
Amer Cyanamid	56⅛	−⅜
Amer El Power	32½	....
Amer Express	21	..
Amer Genl Corp	52	−⅛
Amer Greetings A	48¾	+⅛
Amer Home Pr	68	+⅛
Amer International	111	−1⅜
Amer Natl Ins	43½	....
Amer Stores	40⅞	....
Amer T & T	43⅝xd	−⅛
Ameritech	66¼xd	−⅛
Ames Dept Stores	0.50	..
Ametek Inc	14⅞xd	+⅛
Amoco	53	−⅜
Analog Devices	12	....

October 30	US$	+ or −
Corning Inc	36¾	−⅛
Crane	22½	+⅛
Cray Research	21¼	....
Crown Cork & Seal	36⅛	−⅛
Cummins Engine	66¼	−⅜
Curtiss-Wright	27⅛	..
Cypress Semicond	9¼	+⅛
Cyprus Minerals	29¼	−1
DSC Commun	17¾	+1
DQE	31⅛	..
Dana Corp	42⅞	+⅛
Data General	10¼	−⅛
Dayton Hudson	76¾	−1
Deere	39⅜xd	−⅛
Delmarva Pwr & L	22⅞	+⅛
Delta Air Lines	56⅛	−⅜
Deluxe Corp	42	−⅛
Detroit Edison	31⅞xd	....
Dial Corp Del	38⅞	−⅜
Diebold Inc	56⅛	−⅛
Digital Comms	16⅞	+⅝
Digital Equipment	33¼	+½
Dillard Dept St	42⅛	+⅝
Disney (Walt)	39⅛	−½
Dole Food Inc	26⅞xd	−⅛
Dominion Res	39⅛	−⅛
Donnelley (RR)&Sons	30¼	−⅛
Dover Corp	44⅞	....
Dow Chemicals	56½	+⅜
Dow Jones	28⅞	+⅛
Dravo Corp	9⅛	−⅛
Dresser	18¾	−½
Dreyfus Corp	38½	−½
Duke Power	35¾	....
Dun&Bradstreet	57⅞	....
Du Pont	48½	−⅜
E G & G Corp	19⅞	−⅜
E-Systems	38	−⅝
Eastern Enterprises	26⅛	+⅛
Eastman Kodak	40¼	....
Eaton Corp	72⅛	−½

October 30	US$	+ or −
Kimberly-Clark	56⅝	+⅛
King World Prods	28⅝	−⅛
Knight-Ridder	56⅞	−⅛
Kroger	12⅞	....
LSI Logic	7⅜	−½
Legget & Platt	25⅝	−⅜
Leucadia Natl	63⅛	−⅛
Lilly (Eli)	61¼	+1
Limited Inc	25	−⅛
LIN Broadcasting	67½	+⅛
Lincoln Nat	66⅞	−⅛
Litton	43⅛	....
Liz Claiborne	39⅞	−⅞
Lockheed Corp	46⅛	+⅛
Loews Corp	112⅞	−⅞
Lone Star	2.75	....
Long Island Light	24¼	....
Longs Drug Stores	34¼	−⅛
Loral Corporation	43⅛	−⅝
Lotus Dev Corp	20¼	−⅜
Louisiana Land	34⅛	−1⅛
Louisiana Pacific	53⅞	−⅛
Lowe's Co Inc	19⅜	−⅛
Lubrizol	25¼	+⅜
MA Comm Inc	4 62	+0.13
MCI Commun	36⅜	−⅜
Mac Frugals Bargain	13⅛	....
Manor Care	20¾	−⅛
Manville Corp	8½	....
Mapco Inc	56	+⅛
Marion Merrell	25½xd	+⅝
Marriott	20	+⅛
Marsh & McLennan	92⅞	+½
Martin Marietta	57⅞	....
Masco Corp	25¼	−⅛
Massmutual Corp	26⅜	....
Mattel Inc	25⅞	−⅛
Maxus Energy	7⅛	−⅛
May Dept St	70⅞	−½
Maytag Corp	13¾	−⅛

October 30	US$	+ or −
Cons Edison	31¼	−⅛
Cons Freightways	15⅞	....
Cons Nat Gas	47⅞	+⅛
Cons Paper	40	−½
Cons Rail	42⅛	−⅛
Conti Bank Corp	17¼	....
Conti Corp	26⅛	−⅞
Cooper Inds	45¼	−½
Coors (Adolph)	20⅜	....
Corestates Finl	49¼	−⅛

October 30	US$	+ or −
James River Va	18xd	−⅛
Jefferson Pilot	39¼	−⅛
Johnson Controls	41⅞	−⅜
Johnson & Johnson	50½	+⅞
K Mart	26¼	−⅜
Kellogg	75	+1¼
Kennametal	28	+⅜
Kerr-McGee	41¼	+½
KeyCorp	34¼xd	+⅛

October 30	US$	+ or −
Pittston	12½	....
Polaroid	31⅞	....
Policy Mgt Sys	75⅛	....
Potlatch Corp	47	−½
Potomac El Pwr	25¼	..
Praxair	15⅜	+⅛
Premier Indl	36⅝xd	+⅛
Price Co	35⅛	−⅜
Primark Corp	11⅝	..
Primerica	42⅞	−⅛

October 30	US$	+ or −
Vornado	34	−⅜
Vulcan Materials	43⅛	−⅜
Wachovia	65⅞	+1⅛
Walnoco Oil	3.75	..
Walgreen	40⅛	−⅛
Wal-Mart Stores	61⅜	−⅛
Wang Labs B	0.44	....
Warner-Lambert	68⅞	+⅞
Washington Gas Light	37⅞	+½

CANADA (3 pm)

October 30	Can. $	+ or −
Toronto Dom Bk	18⅛xd	+⅛
Total Pet N Am	5½	....
Transalta	14⅛	....
Trans Can Pipe	18xd	....
Trimac	8	....
Trizec A	3	+0.05
United Dominion	10⅞	....
Univa	6⅞	....
Westcoast Energy	17¼	+½
Weston (George)	34	−⅛

INDICES

NEW YORK

DOW JONES	Oct 29	Oct 28	Oct 27	Oct 26	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3246.27	3251.40	3235.73	3244.11	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.27	102.30	102.18	101.97	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1361.58	1356.14	1355.53	1366.34	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.70	218.14	218.14	217.08	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3268.96 (3262.48) Low 3224.39 (3210.34) (Theoretical)♦
Day's High 3254.64 (3251.40) Low 3236.81 (3224.12) (Actual)♦

STANDARD AND POOR'S	Oct 29	Oct 28	Oct 27	Oct 26	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	420.86	420.13	418.49	418.16	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	493.35	492.66	490.76	490.56	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	37.09	37.06	36.95	36.89	37.09 (29/10)	32.40 (8/4)	37.09 (29/10/92)	8.64 (1/10/74)
NYSE Composite	231.42	230.91	230.01	229.78	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amer Mkt Value	381.29	379.00	376.65	376.16	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	605.82	601.39	596.95	598.92	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 23	Oct 16	Oct 9	year ago (approx.)
Dow Industrial Div Yield	3.24	3.27	3.31	3.09

	Oct 28	Oct 21	Oct 14	year ago (approx.)
S & P Industrial div yield	2.68	2.72	2.76	2.73
S & P Indl P/E ratio	27.52	27.22	26.77	21.17

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Telefonos	3,859,000	50⅛	+ 1⅛
Travelers	2,591,500	23⅛	+ ⅛
IBM	2,570,100	66	- 1⅛
Triton	2,555,800	38½	- 4⅛
Gen Motors	2,465,300	31⅛	- ⅛
Merck	2,372,800	43⅛	- ⅛
Cooper Ind	2,202,900	46⅛	- 6⅛
RJ Nabisco	2,184,800	8½	..
Syntex	2,105,700	24⅞	+ ½
Ford	1,927,900	37⅛	- ⅞

TRADING ACTIVITY

† Volume (Millions)	Oct 29	Oct 28	Oct 27
New York SE	206.300	203.040	201.650
Amex	15.663	12.193	12.643
NASDAQ	214.474	208.599	202.574
NYSE			
Issues Traded	2,343	2,352	2,360
Rises	964	1,016	851
Falls	773	718	903
Unchanged	606	618	606
New Highs	74	66	66
New Lows	29	46	51

CANADA

TORONTO	Oct 29	Oct 28	Oct 27	Oct 26	1992 HIGH	1992 LOW
Metals & Minerals	2753.63	2745.96	2676.37	2729.47	3238.87 (16/1)	2603.82 (15/10)
Composite	3336.00	3334.71	3286.44	3276.00	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1764.61	1764.70	1733.03	1727.55	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50, Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Oct 30	Oct 29	Oct 28	Oct 27	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1425.8	1417.8	1418.2	1436.6	1684.50 (22/5)	1417.60 (19/10)
All Mining (1/1/80)	608.2	603.6	604.3	615.7	726.80 (3/7)	593.30 (19/10)
AUSTRIA						
Credit Aktien (30/12/84)	328.89	327.70	329.60	332.65	458.57 (24/3)	291.41 (13/8)
Traded Index (2/1/91)	798.48	795.23	801.10	806.50	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1139.96	1137.35	1135.21	1129.96	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	252.21	251.09	250.42	250.93	365.29 (15/1)	230.42 (28/10)
FINLAND						
HEX General (28/12/90)	751.0	754.6	737.0	716.4	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	460.91	465.32	465.37	464.00	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1742.40	1730.87	1749.86	1774.48	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	591.40	592.30	603.98	603.39	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1670.2	1674.10	1707.00	1705.40	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1492.32	1493.64	1510.30	1533.77	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	6290.69	6117.58	6126.98	6218.01	6329.12 (22/10)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1144.86	1154.77	1150.68	1153.16	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	439.03	428.51	427.05	418.89	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	871.0	848.0	844.0	827.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	16767.40	16937.71	17068.41	17185.26	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1278.91	1287.13	1292.39	1297.53	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1667.94	1675.87	1682.13	1681.99	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	641.31	637.13	633.31	633.32	641.31 (30/10)	546.63 (14/1)
NETHERLANDS						
CBS Tot.Rtn.Gen.(End 1983)	284.5	286.1	287.9	288.2	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	191.8	192.8	194.1	194.3	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	618.92	618.13	617.53	621.71	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1361.40	1357.81	1331.35	1322.14	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	364.44	364.15	366.65	366.57	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	816.0&	815.8	821.0	822.0	1327.00 (21/1)	782.00 (15/10)
JSE Industrial (28/9/78)	4013.0&	4016.8	4000.0	3995.0	4689.00 (4/6)	3936.00 (19/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	610.09	605.78	585.34	584.10	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	198.47	196.62	197.53	198.74	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	706.9	714.00	726.10	724.80	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	843.6	838.2	839.3	845.9	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	641.5	639.6	641.3	645.2	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3631.73	3640.90	3670.90	3647.97	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangok SET (30/4/75)	940.35	931.36	917.89	908.46	940.35 (30/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	486.4*	487.5	489.7	489.6	542.10 (7/1)	467.50 (30/10)
Euro Top-100 (26/6/90)	822.71	820.86	826.33	831.90	976.55 (25/5)	772.52 (5/10)

**Saturday October 24: Taiwan Weighted Price: (c), Korea Comp Ex 557.86
& Subject to official recalculation. *Calculated at 15.00 GMT
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7. JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

Prices data supplied by Telekurs.

WORLD STOCK MARKETS

AMERICA

Election fears and bad data prompt selling

Wall Street

CONTINUED uncertainty about next week's presidential election and bad news on home sales and from Chicago purchasing managers prompted heavy selling of US shares, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 17.56 at 3,228.71. The more broadly based Standard & Poor's 500 was also lower at the halfway stage, down 1.55 at 419.31, while the Amex composite lost 0.15 at 381.14 and the Nasdaq composite fell 2.31 to 603.51. NYSE turnover was heavy at 118m shares by 1 pm, and declines outpaced rises by 916 to 646.

Share prices opened marginally firmer, but investors began to sell stocks soon after the Chicago Purchasing Management Association reported that its index of business activity in October had plummeted from 59.5 per cent in September to 49.7 per cent. A reading below 50 per cent indicates that manufacturing industry is contracting.

The decline steepened when the commerce department reported that single-family new home sales fell 0.1 per cent in September, the first monthly decline since April. The market had been expecting a solid rise in home sales, so the sell-off after the figures was rapid.

Both sets of data cast a gloomy cloud over the market, which was already unsettled by the ups and downs of the presidential election campaign. Although the latest national polls showed President George Bush catching up with Governor Bill Clinton, the more revealing state-by-state polls of electoral college votes showed the Democratic contenders still maintained a decent lead.

Among individual stocks, General Motors weakened further in the wake of its third-quarter losses and the upheaval at the company's top management. GM shares slipped $⅛ to $30⅞ in turnover of 1m shares.

Ford, which also announced a big quarterly loss this week, eased $⅛ to $37⅛, while Chrysler, the only one of the big three car manufacturers to report a profit, was unchanged at $27⅛.

Aetna Life firmed $¼ to $42⅜ after the insurer announced earnings from continuing operations of $127m for the third quarter, up sharply from the $72m earned a year ago.

The ADRs in Glaxo fell $½ to $25 in turnover of 2m shares after three US doctors linked the UK company's Zofran drug, used to reduce nausea after cancer chemotherapy, to the deaths of two patients and the non-fatal cardiac arrest of another. Glaxo officials later rejected the findings.

Imo Industries plunged $1⅞ to $7 after the company, which reported a third-quarter loss following a charge and suspended its quarterly dividend, announced it would divest between 15 per cent and 20 per cent of its assets.

Atlanta Gas Light fell $1⅞ to $34⅝ on a ratings downgrade from the broking house Smith Barney, which also reduced its earnings forecast for 1993 from $2.50 a share to $2.35 a share.

SOUTH AFRICA

JOHANNESBURG ended mixed after a sideways drift for most of the day as the market looked for fresh factors. Trading picked up slightly towards the close on month-end position-squaring.

Some shares, like Pick 'n Pay and Amgold were also bought ahead of the last day to register for dividends.

The overall index was unchanged at 3,017, down slightly on the week. The industrial index was 3 off at 4,013 and the gold index was up 1 at 816.

Toronto rushes to make up for lost ground

Bernard Simon asks if the TSE can sustain the upward momentum seen since Monday's referendum

Over the past six weeks, the Toronto Stock Exchange (TSE) has fallen into a deep trench and then dug itself out again.

The TSE 300 index plummeted by more than 300 points, or almost 10 per cent, on the back of a surge in interest rates ahead of last Monday's referendum on proposals for a new Canadian constitution.

But with the referendum now out of the way, the market is rushing to make up lost ground. In the first four days of this week, the TSE 300 soared by 88 points to Thursday's close of 3,336. Trading volumes on Wednesday were the heaviest of the year.

The question now is whether the market can sustain the momentum or whether it will flatten out between 3,350 and 3,600 where it has been stuck most of this year.

Ms Barbara Taylor, vice-president for Canadian equities with the Ontario Hospitals Association (OHA) pension fund, says that the TSE 300 can "at least get back" to the 3,450 mark. Even that, however, would be well below last January's peak of almost 3,700, not to mention the August 1987 record of 4,112.

Ms Taylor notes that many companies, especially in resource industries, are still trading at prices below their book value. The OHA took advantage of the recent sell-off to invest its entire fourth-quarter equities allocation in the first week of October.

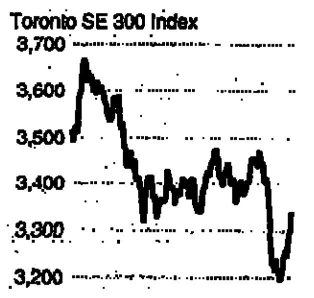
But a portfolio strategist at one Toronto investment management firm says that the Canadian market, having recovered from its referendum jitters, is now unlikely to move much further ahead without some outside stimulus. "We're now going to play to the same drummer as the US and Japan," he predicts.

The best performers over the next month or two are likely to be concentrated in three categories: the big banks, selected resource producers, and industrial companies whose earnings are starting to pick up.

Bank shares normally benefit from falling interest rates, as loan losses shrink, margins improve and the economic turnround approaches. Lower returns on fixed-income investments improve the attractiveness of the banks' dividends.

Canada

Toronto SE 300 Index



Source: Datastream

Mr Roy Palmer, banking analyst at Bunting Warburg in Toronto, predicts that Bank of Montreal's share price, now at about C$47, could climb to C$55 by the end of next year. Bank of Nova Scotia could advance from C$24 to about C$30.

But his forecasts are conditional on the Canadian economy getting up a strong head of steam in 1994, and Mr Palmer is starting to wonder whether the upturn may not take longer to materialise. "I'm less confident about 1994 now than I was about 1993 a year ago," he says.

The drop in the Canadian dollar from over 89 US cents a year ago to just over 80 cents now has given a boost to commodity exporters' earnings. Hopes for a further rise rest on a US fiscal stimulus in the early months of a Clinton presidency, and on a European recovery as interest rates come down in Germany and the UK.

For some resource companies, the worst could be over. Abitibi-Price, the newsprint producer, posted a third-quarter loss of C$73m from continuing operations. But it noted that the low point for newsprint and groundwood papers appeared to be reached in the second quarter. "Conditions are continuing to improve, with volume up and price increases being implemented in newsprint," Abitibi said.

Mining analysts however are generally advising buyers to wait until the recent slide in base metal and gold prices is arrested. For the moment, their attention is riveted on the stampede for diamonds in the Northwest Territories.

Mr John Hainey, an analyst at Canaccord Capital, calls an investment in the junior resource companies which have joined the diamond rush "pure gambling". But he notes that "the signs are so exceptional that I'd be surprised if it peters out into nothing".

The leader of the pack, Dia Met Minerals, is trading on the Vancouver Stock Exchange at close to C$20, a 20-fold increase over the past year.

Some market watchers say that they have begun to detect a consistent improvement in the performance of many industrial and retail companies, based on third-quarter operating earnings.

A prime example is Northern Telecom, which surprised analysts earlier this week with an 11 per cent rise in net earnings, including a small gain at the operating level. Northern's share price has rocketed by 12 per cent in the past week to almost C$48.

Imasco, the conglomerate controlled by BAT Industries, *saw its share price* jump by more than C$2 on Wednesday to C$39¼, its highest level this year after reporting advances in earnings from its tobacco, drug store and fast-food businesses.

With political uncertainty on Canada's future pushed to the sidelines for the time being, investors are taking the view that they have more to lose by staying out of the Toronto market than by getting in.

Share prices may not rise much further for the next month or two, but they seem less likely to fall. Those who decide to buy now, however, may need some patience until the business recovery finds a firmer footing.

EUROPE

Continental bourses end mixed after volatile week

BOURSES closed mixed after a volatile week, *writes Our Markets Staff.*

AMSTERDAM, with the exception of Elsevier, closed the week sharply lower as Daf fell further and fears began to mount of more bad corporate news. The CBS Tendency index lost 1.1 to 101.8, down 2.4 per cent on the week.

Elsevier rallied as revised terms were announced for its merger with Reed whereby the UK publisher will reduce its stake in the Dutch group from 11.5 per cent to 5.8 per cent. The revision has been necessary following the devaluation of sterling following its exit from the ERM. Elsevier's shares rose to a day's high of Fl 115.70 before slipping back on profit-taking to close up Fl 2 at Fl 112.

A foreign institution was believed to have been behind the sale of a large parcel of Daf shares and the price slipped below Fl 10, closing down Fl 1.30 at Fl 9.30, a fall of some 13 per cent on the week.

Investors were nervous about Akzo's interim figures, due next week, following Thursday's poor third-quarter results from DSM, which was unchanged at Fl 77.20. Akzo lost Fl 1.70 on the day to Fl 125.30.

FRANKFURT took a breather after a week beset by bad economic and corporate news. The DAX index closed down 1.32 at 1,492.32, a 2.3 per cent fall on the week. Turnover fell to DM3.1bn from DM4.8bn.

There was little fresh corporate news to excite interest and there was further selling of some of the week's biggest losers. Porsche shed DM6 to DM455, a 3 per cent fall since Monday.

After a few, disappointing days, banks went against the trend: Deutsche Bank rose DM1.20 to DM653.70, Dresdner Bank put on DM2.40 to DM356.00 while Commerzbank managed a rise of 70 pfg to DM240.70.

RWE, which gave an optimistic forecast about current year earnings, dropped DM2 to DM395.70.

PARIS rebounded slightly after Thursday's loss, as the CAC-40 index ended 11.53 higher at 1,742.40, down 1.4 per cent on the week, in turnover of FFr2.6bn, bloated by month-end arbitrage. The market will be closed on Monday.

Axa added a further FFr27 or 3.3 per cent to FFr839 following its respectable interim results. There were also hopes that lower interest rates might help to enhance the bond portfolio held by its US subsidiary, Equitable Life.

Générale des Eaux fell another FFr50 to FFr1,876 on reports that a leading domestic broker had taken the stock off its recommended list after its interim results.

MILAN ended higher in lively trading on hopes of a further cut in interest rates and short-covering ahead of the weekend.

The Comit index rose 10.52 to 439.03, 5.2 per cent higher on the week, and turnover was estimated at a high L300bn after L190bn on Thursday.

Fiat rose L195 or 5 per cent to L4,495 and Mediobanca was up L800 or 7 per cent to L12,120. Generali gained L550 to L28,950 and Montedison rose L36 to L1,240.

STOCKHOLM lost ground in a shortened session ahead of a holiday weekend. The Affärsvärlden index slipped 7.1 to 706.9, a 2 per cent fall on the week. Turnover declined to SKr338m from Thursday's SKr484m.

The announcement on Thursday that Svenska Kredit had filed for bankruptcy pulled the banking and financial sector lower, even though the insurer's main shareholders, Trygg-Hansa SPP Holding and Skandia, were unchanged on the day at SKr31 and SKr78.50 respectively.

SKF B shares fell another SKr5 to SKr65 after its disappointing interim figures earlier in the week.

BRUSSELS closed mixed in trading dominated by Petrofina and Kredietbank. The Bel-20 index inched 2.61 higher to 1,139.96, little changed on the week.

Petrofina closed at the day's high, up BFr300 or 3.9 per cent at BFr8,080 ahead of news of planned safety investments demanded by the Norwegian government for the Ekofisk oil field. Kredietbank, which on Thursday announced a 15 per cent increase in first-half profit, climbed BFr90 to BFr5,630.

ZURICH rose on short-covering ahead of the weekend. The SMI index gained 6.1 to 1,911.1, a fall of 0.5 per cent on the week.

FT-SE Actuaries Share Indices

October 30 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1024.89	1025.08	1025.79	1026.82	1026.73	1028.74	1029.69	1028.47
FT-SE Eurotrack 200	1086.60	1088.54	1088.36	1088.43	1089.79	1091.29	1092.04	1090.07

	Oct 29	Oct 28	Oct 27	Oct 26	Oct 23
FT-SE Eurotrack 100	1025.26	1028.09	1036.79	1038.16	1034.38
FT-SE Eurotrack 200	1086.76	1091.64	1100.79	1104.46	1105.63

Base value 1000 (26/10/90) High/day: 100 - 1030.76, 200 - 1093.16 Lowday: 100 - 1024.45 200 - 1086.60

ASIA PACIFIC

Nikkei average falls 2% on the week

Tokyo

JAPANESE equities fell on arbitrage-related unwinding, as corporate interim earnings announcements and uncertainty in the currency market ahead of the US presidential election depressed activity, and *writes Emiko Terazono in Tokyo.*

The Nikkei average fell 170.31 to 16,767.40, down 2 per cent on the week. The index moved between a high of 16,926.48 in the morning and a low of 16,675.23 just before the close. Small-lot buying of speculative theme stocks supported the index in the morning, but arbitrage-related selling and profit-taking by dealers later pushed the index to its low.

Volume remained low at 190m shares against 169m, as arbitrageurs and dealers were the only notable participants. Losers outnumbered gainers by 719 to 217 with 157 issues unchanged. The Topix index of all first sections stocks retreated 8.22 to 1,278.91 and in London the ISE/Nikkei 50 index fell 3.75 to 1,027.79.

Investors remained absent from the market while share prices were manipulated by technical factors. The announcement that banks had established a new land buying organisation, to purchase land collateral of non-performing bank loans was ignored by investors. Traders noted mounting scepticism about the effectiveness of the new corporation.

Fears that the opposition may delay the approval of the supplementary budget unless leaders of the ruling Liberal Democratic Party testified in parliament weighed on sentiment. However, a ministry of finance official said that a lengthy delay was unlikely as the opposition parties recognised the negative effects on the faltering economy if the measures were held up.

Dealers took profits on speculative theme stocks. Green Cross, the most active issue of the day, fell Y60 to Y1,430 and Aisin Seiki lost Y50 to Y1,140.

Bank stocks were mixed. Industrial Bank of Japan fell Y10 to Y2,440, but Sakura Bank rose Y20 to Y1,130.

In Osaka, the OSE average fell 240.66 to 18,401.33 in volume of 11.3m shares.

Roundup

THE region's markets were in a positive mood yesterday.

HONG KONG bounced back after a drop of over 100 points in the previous two days, and the Hang Seng index jumped 73.19 or 1.2 per cent to 6,190.69. But the index was 1.1 per cent lower on the week. Turnover, swollen by Bank of East Asia's HK$1.9bn placement, rose to HK$4.2bn against HK$2.1bn.

Hutchison fell 30 cents to HK$16.60 while Swire Pacific and Jardine Matheson gained HK$1 each to HK$37.50 and HK$59.

SEOUL rose for its fifth consecutive session, as foreign buying interest in financial shares outpaced profit-taking following the recent sharp rises. The composite index rose 4.31 to 610.09, up 6.8 per cent on the week.

All of the Daewoo Group's listed shares hit their daily upper limits. Daewoo Corp and Daewoo Heavy Industries gained Won400 to Won9,500 and Won9,800 respectively.

KUALA LUMPUR closed at another record high as the budget proposals were greeted warmly by investors. The composite index advanced 4.18 to 641.31, a 1.7 per cent rise on the week. Turnover surged to M$606m from Thursday's M$351m. Finance and property stocks showed the strongest gains.

AUSTRALIA rose on good economic data and a good performance by News Corp. The All Ordinaries index advanced 8 to 1,425, up 2 per cent on the week. Turnover was A$425.7m.

News Corp rose A$1.10 to A$25.90 on expectations of good third-quarter results which are due in the next two weeks. BHP was another heavily traded stock, rising 10 cents to A$11.08.

Among mining stocks, CRA put on 20 cents to A$11.96 after its production report showed increased output at its mine in western Australia.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	THURSDAY OCTOBER 29 1992 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY OCTOBER 28 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992 High	1992 Low	Year ago (approx)
Australia (68)	114.89	−0.5	108.49	89.58	92.07	110.11	−0.1	4.44	115.49	108.54	89.43	92.38	110.19	153.68	114.89	158.06
Austria (19)	147.93	−1.1	139.69	115.35	118.56	118.03	−1.1	2.39	149.55	140.55	115.80	119.62	119.29	186.70	139.27	154.48
Belgium (42)	139.23	+0.6	131.48	108.55	111.58	108.67	+0.6	5.67	138.41	130.09	107.17	110.71	108.03	152.27	135.87	130.65
Canada (114)	119.05	−0.1	112.42	92.82	95.40	107.03	+0.1	3.26	119.23	112.06	92.32	95.36	106.97	142.12	112.87	141.96
Denmark (33)	185.83	+0.2	175.48	144.90	148.93	149.69	−0.3	1.83	185.54	174.37	143.67	148.40	149.20	273.94	185.54	256.47
Finland (15)	67.20	+1.6	63.46	52.40	53.85	68.33	+1.8	2.07	66.11	62.13	51.19	52.88	67.15	89.80	52.84	86.18
France (101)	146.76	−0.8	138.59	114.42	117.61	120.06	−0.9	3.76	148.01	139.10	114.60	118.38	121.19	168.75	146.54	142.59
Germany (64)	106.52	−1.3	100.59	83.07	85.36	85.36	−1.1	2.69	107.91	101.41	83.57	86.31	86.31	129.69	106.52	108.10
Hong Kong (53)	252.25	+0.0	238.20	196.68	202.16	250.32	+0.0	3.56	252.33	237.15	195.38	201.84	250.33	261.48	176.38	166.50
Ireland (16)	134.34	+0.0	126.86	104.75	107.66	110.63	+0.2	4.90	134.40	126.32	104.07	107.50	110.39	173.71	130.87	160.36
Italy (77)	58.15	+1.8	54.91	45.34	46.60	57.04	+0.8	3.64	57.11	53.68	44.22	45.68	56.61	80.86	47.47	69.28
Japan (472)	104.06	−1.1	98.27	81.14	83.41	81.14	−0.4	1.05	105.21	98.88	81.47	84.17	81.47	140.95	87.27	142.71
Malaysia (69)	266.37	+0.9	251.54	207.68	213.47	257.45	+1.0	2.54	263.88	248.01	204.33	211.06	254.89	266.37	212.49	202.12
Mexico (18)	1415.98	+0.4	1337.15	1104.06	1134.80	4851.93	+0.4	1.24	1409.89	1325.07	1091.74	1127.72	4831.07	1789.77	1185.84	1323.99
Netherland (25)	154.54	−0.6	145.93	120.49	123.85	122.27	−0.5	4.63	155.51	146.15	120.42	124.39	122.93	169.70	147.88	141.77
New Zealand (14)	37.64	−1.8	35.54	29.35	30.17	37.94	−1.0	5.97	38.33	36.03	29.69	30.66	38.33	48.52	37.64	49.11
Norway (22)	139.62	−0.6	131.85	108.87	111.90	118.82	−0.4	2.04	140.48	132.02	108.78	112.36	119.31	192.95	136.04	188.49
Singapore (38)	190.25	−0.5	179.66	148.34	152.47	141.85	−0.5	2.32	191.24	179.74	148.09	152.96	142.55	229.63	179.65	198.20
South Africa (60)	154.25	−0.5	145.66	120.26	123.61	145.79	+0.2	3.50	154.95	145.63	119.98	123.94	145.51	283.60	144.29	260.44
Spain (48)	110.25	−0.4	104.11	85.96	88.35	91.16	−0.3	6.56	110.74	104.08	85.75	88.57	91.44	161.72	110.05	153.59
Sweden (31)	158.01	−1.7	149.21	123.20	126.63	135.61	−1.6	2.89	160.67	151.00	124.42	128.52	137.84	200.28	149.69	186.91
Switzerland (60)	110.39	−0.5	104.25	86.08	88.48	94.07	−0.1	2.28	110.93	104.26	85.91	88.74	94.19	122.37	95.99	94.80
United Kingdom (228)	164.65	−0.8	155.48	128.37	131.94	155.48	−0.3	4.72	165.91	155.93	128.46	132.69	155.93	200.07	164.65	179.36
USA (522)	171.82	+0.2	162.26	133.98	137.71	171.82	+0.2	2.97	171.44	161.12	132.76	137.13	171.44	173.39	160.92	159.65
Europe (781)	133.83	−0.7	126.38	104.35	107.26	116.47	−0.4	4.03	134.71	126.61	104.32	107.76	116.99	156.86	133.83	140.58
Nordic (101)	144.13	−1.0	136.10	112.38	115.51	116.74	−0.9	2.50	145.58	136.82	112.73	116.44	117.60	188.52	141.24	184.19
Pacific Basin (714)	109.01	−1.0	102.94	85.00	87.36	86.77	−0.3	1.40	110.08	103.45	85.24	88.05	87.07	141.97	93.70	143.22
Euro-Pacific (1495)	119.05	−0.8	112.42	92.82	95.40	98.77	−0.4	2.60	120.04	112.82	92.95	96.01	99.16	145.21	113.80	142.52
North America (636)	168.54	+0.2	159.16	131.43	135.09	167.42	+0.2	2.98	168.19	158.07	130.25	134.55	167.05	170.49	158.70	158.48
Europe Ex. UK (553)	115.00	−0.6	108.60	89.68	92.18	95.17	−0.6	3.55	115.67	108.71	89.59	92.54	95.71	132.98	115.00	117.63
Pacific Ex. Japan (242)	157.58	−0.1	148.81	122.89	126.30	144.29	+0.1	3.67	157.81	148.31	122.21	126.24	144.22	175.31	149.00	148.15
World Ex. US (1687)	120.21	−0.8	113.51	93.73	96.34	100.72	−0.4	2.62	121.16	113.87	93.83	96.91	101.09	146.91	116.18	144.47
World Ex. UK (1981)	134.02	−0.3	126.56	104.50	107.42	119.28	−0.1	2.54	134.44	126.35	104.11	107.55	119.39	150.58	127.21	145.56
World Ex. So. Af. (2149)	136.66	−0.4	129.06	106.57	109.54	122.25	−0.1	2.76	137.16	128.91	106.22	109.72	122.40	153.05	130.04	147.77
World Ex. Japan (1737)	155.20	−0.1	146.56	121.02	124.40	146.56	+0.0	3.36	155.36	146.01	120.31	124.29	146.58	165.40	151.93	153.02
The World Index (2209)	136.68	−0.4	129.07	106.58	109.55	122.51	−0.1	2.77	137.18	128.93	106.23	109.73	122.66	153.70	130.86	148.52

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8¼pc 1993		100 3/16	−1/16	100 11/32	97 13/32	8.22	7.15
10pc 1993‡‡		101 15/32	−1/16	101 15/32	99 1/16	9.86	6.70
12½pc 1993‡‡		104 1/16	−1/32	104 1/32	100 13/32	12.00	6.27
Funding 6pc 1993‡‡		99 13/32	—	99 13/32	95 3/8	6.01	6.25
Treas 13¾pc 1993‡‡		107 1/4xd	−3/32	107⅝	103 3/16	12.80	6.44
8½pc 1994		102 13/32	−1/16	102 13/32	96¼	8.31	6.58
14½pc 1994‡‡		110	−1/16	110 1/16	104 13/32	13.18	6.62
Exch 13½pc 1994		109 13/32	−⅛	110 3/32	103 15/32	12.31	6.63
Treas. 10pc Ln. 1994‡‡		105 3/32	−⅛	105 13/32	98 13/32	9.52	6.71
Exch 12½pc 1994		109 23/32	−3/32	110⅛	103 3/16	11.40	6.78
Treas 9pc 1994‡‡		104 3/32xd	−3/32	104¾	96⅝	8.63	6.76
12pc 1995		110⅜	−¼	111 1/16	102 23/32	10.88	6.98
Exch 3pc Gas 90-95		94⅛	—	94 13/32	88¼	3.18	5.27
10¼pc 1995		106 3/16	−3/16	106 13/16	99⅜	9.48	6.92
Treas 12¾pc 1995‡‡		115 13/32xd	−⅛	116 1/16	106¼	11.06	7.04
14pc 1996		118 13/32	−⅛	119 13/32	109 13/32	11.77	7.29
9pc 1992-96‡‡		100 13/32	−1/16	104½	96⅜	8.97	7.31
15¼pc 1996‡‡		124 1/16xd	−1/16	124 13/32	113 13/32	12.29	7.35
Exch 13¼pc 1996‡‡		118 3/16xd	−13/32	118 13/32	108	11.22	7.36
Conversion 10pc 1996		109 13/32xd	−3/16	110 13/32	98 13/32	9.11	7.17
Treas 13¼pc 1997‡‡		120⅝	−3/16	121¼	109 13/32	10.96	7.45
Exch 10½pc 1997		111⅞	−3/16	112 13/32	100 13/32	9.39	7.24
Treas 8¾pc 1997‡‡		105⅜	−3/16	106 13/32	94	8.23	7.20
8¾pc '97 E‡‡		29⅜	−⅛	29 13/32	25	8.23	7.15
Five to Fifteen Years							
Exch 15pc 1997		130 3/32	−⅛	130 13/32	117 13/32	11.54	7.84
9¾pc 1998		110⅜	−⅛	110 13/32	97 13/32	8.84	7.34
Treas 7¼pc 1998		26⅜	−3/16	26 13/32	25	7.19	7.07
Treas 6¾pc 1995-98‡‡		96⅜	−⅛	96 13/32	86 13/32	6.97	7.15
15½pc '98‡‡		135⅝	−3/16	135 13/32	123⅜	11.46	7.89
Exch 12pc 1998		119 13/32xd	−⅛	120⅝	107 13/32	10.01	7.81
Treas 9½pc 1999‡‡		109⅜	−¼	109 13/32	97⅜	8.68	7.56
Exch 12¼pc 1999		121 13/32	−3/32	122 3/16	109½	10.07	7.89

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		114 13/32xd	−3/32	115	101 13/32	9.18	7.64
Conversion 10¼pc 1999		114xd	—	114 3/16	100 13/32	8.98	7.68
9pc 2000‡‡		107 13/32	−3/32	108 3/32	94⅝	8.35	7.63
Treas 13pc 2000		127⅜	—	127 13/32	114 13/32	10.21	8.18
10pc 2001		112 3/16	+⅛	112 13/32	99 13/32	8.92	7.39
14pc '98-01		127 3/16xd	−3/16	127⅜	115 13/32	11.02	7.90
9¾pc 2002		110⅜	+3/32	110 13/32	98⅛	8.82	8.19
10pc 2003		111 13/32	+⅛	112	100 3/16	8.94	8.35
Treas 11½pc 2001-04		119	+⅛	119 3/16	107 3/16	9.66	8.34
Funding 3½pc '99-04		68 13/32	−13/32	69⅝	59½	5.11	7.64
Conversion 9½pc 2004		108⅜	+3/32	108 13/32	96 13/32	8.77	8.41
9½pc 2005		108 1/16	+3/32	108 13/32	96 13/32	8.78	8.44
Treas 12½pc 2003-05		126 13/32xd	+3/32	126⅞	116 3/16	9.86	8.73
8pc 2002-06‡‡		95 13/32	+3/32	96 3/16	85½	8.34	8.51
Treas 11¾pc 2003-07		120 13/32	+⅛	121 3/16	110 13/32	9.72	8.63
Treas 8½pc 2007‡‡		99⅝	+⅛	99 13/32	89 13/32	8.53	8.55
13½pc '04-08		133 13/32	+3/32	134	123 13/32	10.10	8.78
Over Fifteen Years							
8pc 2008‡‡		103⅜	—	103 13/32	93 13/32	8.70	8.60
8pc 2009		94 13/32	−3/32	94 13/32	85⅜	8.47	8.65
Conv 9pc Ln 2011‡‡		102 13/32	+3/32	102 13/32	93 13/32	8.78	8.74
Treas. 9pc 2012		102⅝	−3/32	103⅜	93 13/32	8.79	8.75
9pc 2012 A		102 13/32	−3/32	103⅜	94¼	8.78	8.76
Treas 5½pc 2008-12‡‡		70 13/32	—	71 13/32	62⅞	7.75	8.58
7¾pc 2012-15‡‡		90⅜	—	91⅜	81 13/32	8.57	8.74
Exch 12pc '13-'17		128⅜	+1/16	130 13/32	118 13/32	9.36	9.00
Treas 8¾pc 2017		99¼	+3/32	101⅜	91 13/32	8.94	8.83
8¾pc 2017 A‡‡		99⅜	+3/32	101⅜	91 1/16	8.82	8.84
Undated							
Consols 4pc		44 13/32	+3/32	44 13/32	39⅞	8.94	−
War Loan 3½pc‡‡		39 3/16xd	+3/32	39⅞	35 3/16	8.90	−
Conv 3½pc '61 Aft		63 13/32	+1	63 13/32	58	5.47	−
Treas 3pc '66 Aft		34 13/32	+½	34 13/32	29 13/32	8.81	−
Consols 2½pc		29⅝	+13/32	29⅝	24 13/32	8.44	−
Treas. 2½pc		28	+13/32	29	24 13/32	8.62	−

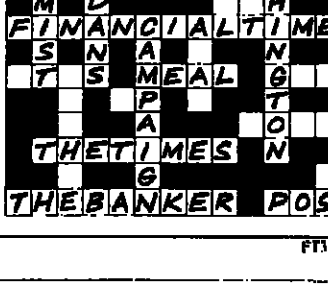
BRITISH FUNDS - Cont.

Index – Linked	Notes (b)	Price £	+ or -	1992 high	1992 low	Yield Int. (1)	Yield Red. (2)
Treas. 2pc '94	(102.9)	131 3/16xd	+⅛	131 1/16	122⅜	0.64	2.28
2pc '96	(67.9)	197⅛	—	197¼	178 3/16	1.70	2.38
4⅝pc '98	(136.3)	69⅜	−1/16	69½	55 13/32	3.63	3.76
2½pc '01	(78.3)	162 3/16	−3/16	162 3/16	139⅜	2.48	2.99
2½pc '03	(78.8)	158¼xd	−1/16	158⅜	135	3.01	3.34
4⅛pc '04	(135.3)	24⅜	−1/16	24½	18⅛	3.15	3.44
2pc '06	(69.5)	162 13/32	+⅛	162 13/32	137⅜	3.29	3.44
2½pc '09	(78.8)	147 13/32xd	+3/16	147 13/32	124 13/32	3.32	3.54
2½pc '11	(74.6)	152 13/32	+13/32	152 13/32	129 3/16	3.46	3.65
2½pc '13	(89.2)	126 1/16	+13/32	126 1/16	106 3/16	3.50	3.68
2½pc '16	(81.6)	133 13/32	+13/32	133 13/32	112⅞	3.52	3.69
2½pc '20	(83.0)	128½	+1 1/16	128 13/32	107 13/32	3.58	3.73
2½pc '24‡‡	(97.7)	106 13/32	+1 3/16	106 13/32	88⅜	3.62	3.76
4⅛pc '30‡‡	(135.1)	107¼	+1 3/16	107 13/32	91 13/32	3.63	3.75

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1992: 136.7 and for September 1992: 139.4

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11⅛ 2010		116 13/32	+13/32	116 13/32	105⅞	9.54	9.17
Asian Dev 10¼pc 2009		110 13/32	+13/32	110 13/32	100 1/16	9.24	8.96
B'ham 11½pc 2012		114	—	114	102¼	10.09	9.90
Ireland Cap 8½pc '10		103	—	103	88½	8.25	−
9pc Cap 1998		105½	+¼	105½	90	8.53	−
13pc '97-02		119	+¼	119¼	103⅞	10.92	−
Hydro Quebec 15pc 2011		140 3/16	+13/32	141 13/32	130⅞	10.71	10.16
Leeds 13½pc 2006		127¼	—	127¼	115¼	10.61	9.90
Liverpool 3½pc Irred		36	—	35	30	10.00	−
LCC 3pc '20 Aft		30½	—	31¼	27	9.84	−
Manchester 11½pc 2007		112½	—	112½	103¼	10.22	9.90
Met. Wtr. 3pc 'B'		63½	—	63¼	53	4.72	8.30
N'wide Anglia 3⅞pc 2021		120¾	—	120¾	103¼	−	4.82
4¼pc IL 2024		118	—	118¼	103¼	−	4.69
Utd Mex States 16½pc 2008		128½	—	128½	121½	12.84	12.38



LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	18 3/16 xd	+1/2	18 1/4	14 5/8	15,657	2.0
♥Allegheny & W		447p	-4	451p	226p	232.5	1.2
Amdahl		883p	-14	1158p	455p	564.9	1.3
Amer Cyanamid		38 1/4	+1	37	28 3/4	3,270	2.9
Amer Express		13 1/8 xd	+3/16	18 7/8	10 7/16	6,376	4.7
Amer T & T		28xd	-1/8	28 3/4	20 1/8	37,237	3.0
Ameritech		42 5/8	+1/8	42 5/8	32 1/2	18,082	5.2
BankAmerica		28 13/16 xd	-1/16	27 1/4	19 1/16	9,238	3.1
Bankers NY		48 7/8 xd	+1/8	41 1/2	28 3/8	3,288	4.3
Bell Atlantic		30 1/8	—	30 1/4	23 1/4	13,059	5.4
BellSouth		33 1/8	+1/8	33 1/8	25	18,184	5.3
♥Bethlehem Steel		8 1/4 xd	—	9 5/8	5 1/4	748.3	–
Bowater		1341pxd	+72	1579p	905p	484.7	5.6
CPC	h	31 13/16 xd	+1/4	31 13/16	22 1/4	4,799	2.4
♥Cadiz Land Inc		108p	—	342p	108p	–	–
California Engy		834p	+3	834p	591p	161.8	–
Chase Manhattan		15 3/4 xd	+1/16	16 1/2	9 1/2	2,329	4.9
Chrysler		17 3/16 xd	+1/8	17 3/16	6 1/4	6,062	2.2
Citicorp		10 1/4 xd	—	11 1/4	6 1/4	3,908	–
Colgate-Palm		38 1/4 xd	+1/16	38 1/4	25 1/4	6,097	2.0
Cont'l Bank		1109p	-3	1112p	499p	1,128	3.4
Dana		27 1/4 xd	+3/8	27 1/4	14 5/16	1,249	3.7
Data General		884p	-133	1084p	384p	191.6	–
♥Decora Inds		182p	—	122p	66p	–	–
Dun & Brad		37	+1/8	37	27 5/8	6,661	3.9
Eaton		48 1/2	+1/4	48 1/4	32 1/2	1,801	3.0
Ecnlin		12 1/4 xd	+1/4	12 1/4	7 1/2	738.3	3.5
FPL		23 1/2 xd	+1/16	23 1/2	17 13/16	4,244	6.5
Fluor		28 7/16 xd	-1/4	29 1/2	19 1/4	2,365	0.9
Ford Motor		23 3/4 xd	-1/8	25 1/8	15	11,839	2.6

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv.....$†	178	+1	178	147	3.3	200.5	15.6
Warrants	29	—	38	21	–	–	–
Scot Mortgage..$†	169	+2	169	135	3.1	195.9	13.7
Scot National Inc$	88	+1	167	65¾	13.7	–	–
Cap	19	–1	42	12½	–	–	–
Stepped Pf	184½	+½	154½	126	5.2	–	–
Zero Div Pf	196½	+½	196½	169½	–	–	–
Warrants	6½	—	9	3	–	–	–
Scot Value.....†8	62	–½	64	48	3.9	62.6	1.0
Sec Alliance......$	1295	+5	1295	1066	3.0	1462.5	12.1
Second Market.....$	255	—	255	222	0.8	303.3	16.1
Sec Tst Scot....$	69½	+½	76½	61	9.3	75.2	7.6
Select Assets	100	+2	102½	78½	1.2	149.8	33.2
Eq Ind Ser I	118	—	129	106	4.8	–	–
Eq Ind Ser II	118	—	123	106	4.8	–	–
SHIRESCOT	96	—	99	96	–	98.9	2.9
Shires.........$	204	—	240	188	12.8	211.6	3.6
11pc Cv Ln '03/04	£104½	—	£119½	£95½	10.5	–	–
Stara Select	89	—	91	68	8.4	132.1	32.3
Warrants	11	—	21	10	–	–	–
Smaller Cos	66	—	66	66	6.1	77.8	15.5
Warrants	19	—	20	10	–	–	–
Somerset Tst	114	—	148	55	–	87.2	–30.8
Sphere Inc......N	13½	—	20	9½	36.6	21.8	37.9
Zero Div Pf	78¾	+½	77¾	69¾	–	–	–
Sumit	35	—	55	30	4.8	93.3	62.5
TR City of Lon....	116¼xd	+1	127½	97½	6.6	115.2	0.7
TR Euro Growth	79	—	89	70	2.4	100.5	24.3
Ptg Sub	28	—	84	33	5.5	–	–

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIALS

MOTORS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Editor's discretion

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FINANCIAL TIMES
Weekend October 31/November 1 1992

Thatcher may have had report, officer says

MI5 told Iraqi exports 'were for military use'

By John Mason

BRITISH intelligence was told in 1987 that equipment exported to Iraq by a UK machine-tool manufacturer was intended for military use and probably passed this information to other western security agencies, an intelligence officer said yesterday.

Mrs Margaret Thatcher, then prime minister, may also have been given a contemporaneous report on the situation, an officer of MI5, the UK's internal security service, indicated to an Old Bailey court yesterday.

The officer, hidden behind a screen, remained anonymous throughout the proceedings, but is the first member of the intelligence services to have given evidence in open court rather than in camera.

Called "witness B", he gave evidence from behind screens, visible only to the judge, jury and leading lawyers. Gaps were hastily covered with brown wrapping paper and tape.

Giving evidence in the trial of three former Matrix Churchill directors, who are accused of breaching export regulations, the officer explained how he obtained information about the Iraqi defence procurement programme from Mr Mark Gutteridge, a Matrix employee.

The contacts, usually made in Coventry hotels, started in 1986, with the MI5 officer seeking political, military and economic intelligence, he told Mr Geoffrey Robertson QC, for Mr Paul Henderson, one of the defendants.

Individual Iraqis brought to his attention by Mr Gutteridge included Dr Safa al-Hobobi, a director of the Nassr arms factory in Iraq, Dr Fidel, an Iraqi intelligence officer, a Mr Anis Wadi and a Mr Hanna Jon.

In October 1987, Mr Gutteridge told him that contracts being worked on by Matrix Churchill included computer software and cutting gear specifically designed for the production of shells and projectiles.

"Do you remember telling Mr Gutteridge that his report would be seen by the prime minister?" Mr Robertson asked.

"I may well have said that," the officer replied.

Earlier, the officer had said this kind of information would be passed on to MI6 and then, presumably, on to other western intelligence agencies.

When Matrix Churchill had its export licence revoked by the Department of Trade and Industry, Mr Gutteridge had got upset. He had thought this was a consequence of the information he had given to MI5.

The MI5 officer wrote in his personal notes that – "with my nose growing ever larger" – he had persuaded Mr Gutteridge this had not been the case.

Mr Henderson, Mr Trevor Abraham and Mr Peter Allen all deny breaching export controls by deceiving the DTI into thinking the exports were for civil rather than military use. The trial continues on Monday.

GPA faces borrowing talks after fundraising effort fails

By Roland Rudd

GPA GROUP, the Irish aircraft leasing group which aborted its international public flotation in June, has been forced to begin negotiations with its banks on its borrowing arrangements after failing to raise new funds from the sale of 18 aircraft leases.

This latest failure to raise money has caused the unravelling of the financial strategy which the group put together with its shareholders, lenders and aircraft suppliers in the aftermath of its shelved $800m (£490m) flotation.

Mr Tony Ryan, GPA's chairman and founder, said: "We are conducting a matrix of wide-ranging negotiations with a significant level of interdependence and this will take time to complete."

GPA faces heavy financial commitments on aircraft that it has ordered. Its debt is believed to have risen significantly since it issued its prospectus for its failed flotation when it had borrowings of $2.7bn against shareholders' funds of $1.2bn.

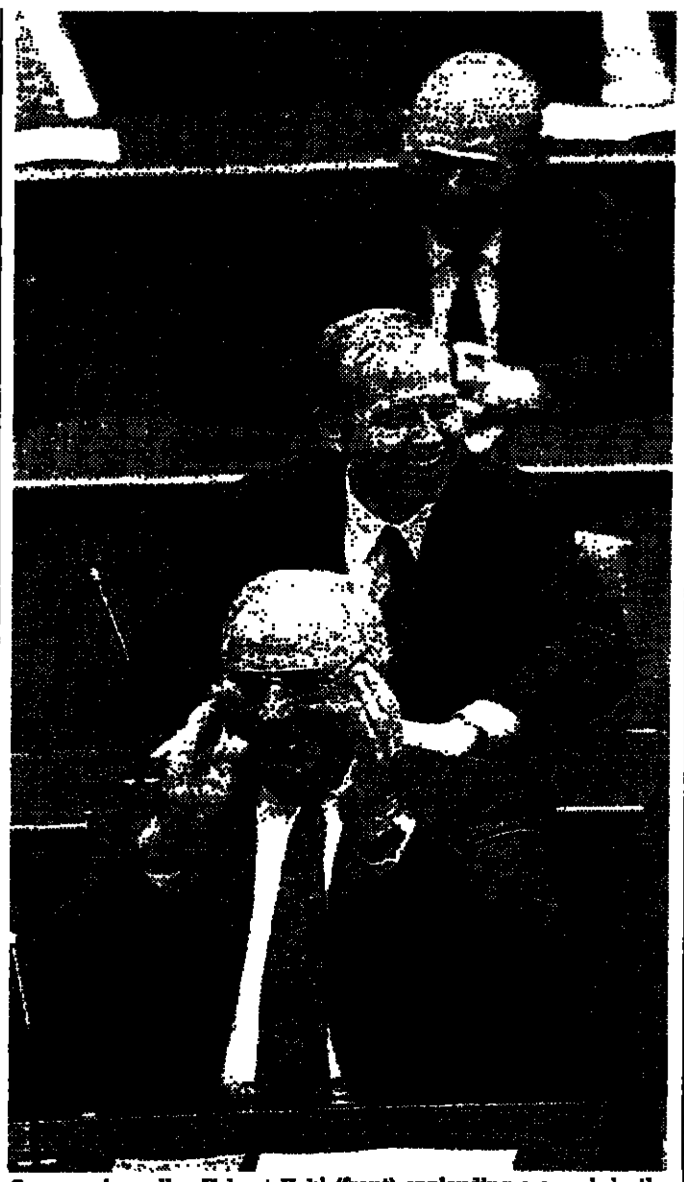
Its latest fund-raising efforts have been hit by investor fears that it might breach its banking covenants, and negative comments about the group published in the US.

Standard & Poor's, the US investment rating agency, yesterday lowered its rating on GPA's commercial paper to A-3 from A-2 and placed the rating on credit watch with negative implications, suggesting a further downgrade is possible.

These factors led GPA yesterday to postpone its plans to raise $752m this month from its second issue of securitised aircraft leases, known as ALPS.

This in turn has delayed the group's $350m convertible preference share issue which GPA had hoped to complete by the end of the year.

GPA confirmed it was renegotiating its borrowing facilities but declined to give details. It said it was particularly disappointed by having to delay its share issue because Nomura International, its investment banker, was close to finding new investors.



German chancellor Helmut Kohl (front) applauding a speech in the new parliament building in Bonn yesterday. Mr Kohl saw his political fortunes recover this week at the annual conference of his party, the Christian Democratic Union Man in the News, Page 8

French fume over curbs on smoking in public

By William Dawkins in Paris and Robert Graham in Rome

FRANCE, a country renowned for its smoke-filled bars, Gauloises and pipe-chewing detectives, will severely restrict smoking in public from tomorrow.

Smokers will be allowed to light up only in areas expressly set aside for them – at present, smoking is allowed everywhere except where expressly forbidden. Individual offenders will face fines of up to FFr1,300 (£155), rising to FFr6,000 for restaurants or companies that fail to provide proper ventilation or to set smokers well apart.

Similar measures have also been proposed by the Italian cabinet presided over by Mr Giuliano Amato, an acknowledged smoker, and will be considered by parliament.

Why is France doing this to itself? Some 40 per cent of the adult population of France smokes, more than in most European countries, and France even invented the word nicotine. Jean Nicot, a 16th century diplomat, introduced tobacco to Catherine de Médicis, French queen of the time, as a cure for migraine.

A recent poll shows 84 per cent support for the ban, despite intense criticism from employers and the restaurant trade. The poll also shows two thirds support from smokers, suggesting many are keen to kick the habit.

The catch is that only a third of smokers is prepared to observe the ban. Everybody knows it is unworkable outside areas such as government offices, airlines and railways – where the cleaners on Paris metro sweep up three tonnes of cigarette-ends a day.

The restaurant trade is a bastion of resistance. It has asked for a two-year grace period while its members find the money to install smoke extractors – indicating a measure of compliance – but few are prepared to insult their smoking clients.

"If one of my guests calls the police, it's quite simple – I will pay the fine in the place of the smoker and let him go," promises Mr Alain Dutournier, proprietor of the celebrated Carré des Feuillants in central Paris. "It is a smokescreen, an idiotic law," fumes Mr Joël Robuchon, owner of the Jamin, another top class Paris restaurant. "Some of my clients have said that if they can no longer smoke cigars, they will no longer come." A cigar, says Mr Robuchon, is part of the of the joy of a fine meal.

The Patronat employers' organisation complains the ban is socially divisive, because privileged people with private offices - not technically public places - will be allowed to smoke as much as they like, while those who work in open-plan offices will have to go to a special smokers' area. "It's going to cause us considerable aggravation," says one personnel director.

THE LEX COLUMN

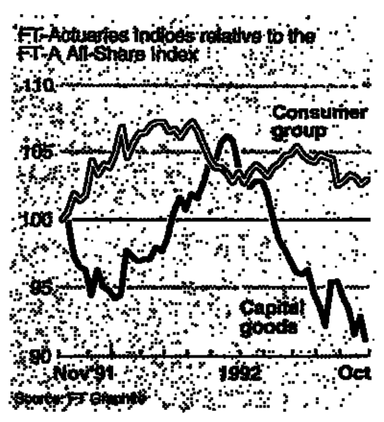
Going Dutch

Reed International will have to work hard to live up to the 20 per cent rise in its share price since the merger with Elsevier was announced last month. An interest in the Dutch publisher's recession-resistant earnings from scientific journals is certainly attractive. But Reed makes no secret of the fact that there is limited scope for cost saving. At least a lower tax charge should recoup within a couple of years the startling rewards earned by the advisers. Vague promises of synergy hardly justify the rates of growth which the market now seem to be anticipating.

A stronger credit rating for the merged group may increase the temptation to embark on a spree of debt-funded expansion. The Official Airlines Guide looks almost certain to be the first target. Even a bid for OAG, though, will leave Reed Elsevier with plenty of spare borrowing capacity to swallow up smaller targets in Europe. On the evidence of yesterday's pro-forma figures, the combined group could raise up to £1bn from banks or the bond market and still maintain comfortable interest cover of four to five times.

The novel structure of the merger is meant to avoid the pitfalls of Anglo-Saxon style takeovers and the decision-making vacuum which can result from continental-style mergers. Nothing, though, can guard against the kind of boardroom bloodshed which has followed other, initially friendly, international mergers involving UK companies. One can only hope the two sides are as agreed on strategy as they claim.

FT-SE Index: 2658.3 (+16.0)



UK markets

Judging by Thursday's Mansion House speech, the gradualists are still in charge at the Treasury. Having been too optimistic about recovery for two years, policy makers now think that the recent fall in sterling and cuts in interest rates are enough to give the economy a good kick. Interest rates will be reduced further, but no chances are to be taken with inflation.

Of course, part of that can be discounted as rhetoric to support sterling on the foreign exchanges, but the chancellor may once again have too complacent a view of events. Confidence has been hit badly in the wake of sterling's departure from the ERM, and businesses are once more vigorously cutting staff and capital expenditure. Sentiment in the housing market remains very poor – depressing consumers and encouraging them to save rather than spend. Allied to this is the heavy debt burden which both groups still carry. All of this implies caution about the prospects for the UK stock market. Analysts, who are often over-optimistic about earnings growth, expect dividends to grow by less than 2 per cent this year, and perhaps 3 to 5 per cent in 1993. Even these figures are based on the questionable assumption that the economy will grow by some 1.5 per cent next year. The recent rise in the market discounts much of the devaluation boost.

Overall dividend figures also hide as much as they reveal. Sectors such as the utilities and some consumer groups have good cover and can manage real dividend increases. In some capital goods sectors, though, more dividend cuts are on the way and cover will remain low until the mid-1990s. While the chancellor may protect some construction projects, prospects for private sector construction remain grim. Capital goods shares have been hit badly this year, but there is little reason to expect much recovery. Despite devaluation, defensive stocks may still be the best bet.

British Airways

Judging by the market's calm reaction investors are remarkably sanguine about Bill Clinton's threat to block BA's investment in USAir. Perhaps his comments really were just end-of-campaign rhetoric which will quickly be forgotten once the race for the White House is over. But if the British airline's meticulously laid plans ultimately unravel – and one senses a growing air of worry at BA – its shares are almost certain to suffer in the short term.

There is little doubt that rival US carriers such as Delta, United and American have cleverly exploited the USAir issue. Their specific objections to the BA deal hardly stand up on close inspection, but they have played the jobs and level playing field cards for all they are worth. Naturally they do not stress that BA's *support will* effectively underpin a competitor which they would be much happier to see going out of business. The real lever, though, is the bilateral negotiation between the US and UK governments over access to the UK market. Talks were suspended yesterday until November 10, but it remains far from clear that the American side will be satisfied with the gradualist "open skies" plan currently on the table.

From BA's point of view, the $750m which it is splashing out on USAir may only be justified if it can retain and consolidate its strong profitable position on the North Atlantic routes. Given the sums involved, moreover, BA can hardly abandon the condition which effectively gives it a blocking minority on key issues. Assuming Mr Clinton wins, there is still some tough dealing ahead. BA shareholders can only hope that the company has squared the Democrats as effectively as it has lobbied the Republicans.

Oil prices

Yesterday's decision by Shell Oil to cut its US workforce by 20 per cent underlines the tough conditions for oil companies. Overall, Shell is better placed than most, yet the management of the US subsidiary still felt enough heat to act before the Anglo-Dutch parent stepped in. With the oil majors having to pay dividends and finance massive capital expenditure programmes through the recession, cost control and improved productivity are the obvious ways to control cash flow.

A weakening crude oil price only makes matters worse. The market seems bemused by the recent fall below $20 a barrel, given that there is no obvious over-supply. In part this may reflect scepticism that November's Opec meeting will give a positive lead. Indeed, with tensions between the Gulf producers growing, there is a risk that Iran, Kuwait and Saudi Arabia will continue to pump near full capacity into the spring. A sustained fall below $18 might start to threaten some capital projects.

Japan's fears

Continued from Page 1

by a series of government measures to pour money into the economy.

The cabinet approved a supplementary budget, to be debated by the Diet, which will implement a Y10,700bn emergency economic package announced in August. There will also be a 10.8 per cent increase in a special Y40,000bn-a-year investment programme, which lies outside the budget itself, and a Y3,000bn-Y5,000bn increase in spending by local authorities.

Bush encouraged by poll

Continued from Page 1

Pennsylvania, Michigan, Ohio, and winding up in Georgia. Today he does Georgia again, before moving on to Wisconsin and back to New Jersey. All are critical "battleground" states.

The consistent evidence that his popularity is falling did not deter Mr Perot in an appearance on a television talk show on Thursday night. He predicted that he would carry every state and gave some indication of what a Perot administration would be like.

He would, for example, somewhat modify the US diplomatic service.

Ambassadors, he said, "are as relevant as dinosaurs," because heads of state talked on the phone to each other all the time, and should be replaced by "business tigers" with a sole mission of looking after US commercial interests overseas.

He said he would embrace both parties in Congress in "a bear hug" until they agreed to do what the American people wanted.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Holzmann Ph	915	+	15
Wella Prf	670	+	10
Falls			
Douglas Hldg	408	–	7
Leifheit	354	–	11
Linde	679.5	–	13.5
Schmalbach Lub	278	–	6.5
New York ($)			
Rises			
Sun Co	26	+	1½
Falls			
Atlanta Gas	34⅝	–	1⅝
Gen Motors	30⅞	–	½
Imo Inds	7	–	1⅞
McDonnell Doug	50⅜	–	1¾
Triton Energy	36¼	–	2¼
New York prices at 12.30pm			
Paris (FFrs)			
Rises			
Axa	844	+	32
Essilor Int	370	+	18.5
Pernod Ricard	419	+	16
Skis Rossignol	679	+	29
Falls			
AGF	410	–	11.9
Gal. Lafayette	1680	–	135
Tokyo (Yen)			
Rises			
Aichi Tokei Dnki	450	+	40
Hitachi Maxell	1370	+	110
Inui Steamship	269	+	19
Falls			
Jpn Pulp & Ppr	480	–	40
Tayca	281	–	26
Tokai Kanko	220	–	17
London (Pence)			
Rises			
APV	84	+	4
Body Shop Intl	194	+	9
Countryside Prps	81	+	6
Enterprise Oil	456	+	14
Euromoney Publ	858	+	45
Filofax	49	+	4
Gestetner	128	+	10
Haggas (J)	96	+	7
Heritage	27	+	6
Mowlem (J)	77	+	5
Queens Moat Hses	43	+	3
Taylor Woodrow	75	+	6
Telemetrix	61½	+	4½
Utd Friendly B	460	+	17
Falls			
ASW	50	–	11
British Steel	47	–	3
Clayton Son	106	–	7
Frogmore Ests	264	–	10
Gresham House	1¾	–	1¼
Lex Service	212	–	8
Manganese Bronze	66	–	5
Pelon	75	–	5
Simon Eng	79	–	35
Whessoe	219	–	13

World Weather

UK Today: England and Wales will be mainly bright after inland mist and fog, some of which could be freezing. Cloud and rain will push northwards. Scotland will be cloudy with rain preceded by snow on hills.

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Cairo	S	28	82	Inverness	C	6	43	Milan	Dr	10	50	Salzburg	F	9	48
Ajaccio	R	19	66	Cape Town	S	20	68	Isle of Man	C	8	46	Montreal	F	-2	28	S'Francisco	C	16	61
Algiers	S	28	82	Cardiff	S	9	48	Istanbul	S	21	70	Moscow	C	2	36	Seoul	S	13	55
Amsterdam	F	9	48	Chicago	C	7	45	Jersey	F	11	52	Munich	S	8	46	Singapore	F	27	81
Athens	S	28	82	Cologne	S	8	46	Johannesburg	F	25	77	Nairobi	F	25	77	Stockholm	F	-4	25
Bahrain	S	27	81	Copenhagen	F	3	37	Las Palmas	F	24	75	Naples	F	22	72	Strasbourg	C	6	43
Barcelona	F	17	63	Corfu	F	23	73	Leeds	S	9	48	Nassau		–	–	Sydney	F	23	73
Beijing	S	15	59	Dallas	F	13	56	Lisbon	F	17	63	Newcastle	S	7	45	Tangier	C	20	68
Belfast	F	4	39	Dublin	S	8	46	Locarno	F	12	54	New Delhi	S	28	82	Tel Aviv	S	30	86
Belgrade	S	14	57	Dubrovnik		–	–	London	S	9	48	New York	C	12	54	Tenerife	C	23	73
Berlin	C	7	45	Edinburgh	R	4	39	Los Angeles	C	18	64	Nice	R	16	61	Tokyo	F	21	70
Biarritz	R	10	50	Faro	F	20	68	Luxembourg	Fg	3	37	Nicosia	S	26	79	Toronto	C	1	34
Birmingham	F	6	43	Florence	T	15	59	Madeira	F	20	68	Oporto	R	14	57	Tunis	S	25	77
Blackpool	S	7	45	Frankfurt	C	6	43	Madrid	F	15	59	Oslo	S	-3	27	Valencia	F	22	72
Bombay	S	32	90	Geneva	R	8	46	Majorca	F	22	72	Paris	S	10	50	Vancouver	C	10	50
Bordeaux	F	12	54	Gibraltar	F	22	72	Malaga	F	23	73	Perth	S	22	72	Venice	F	14	57
Boulogne	S	10	50	Glasgow	R	3	37	Malta	S	26	79	Prague	F	8	46	Vienna	R	8	46
Bristol	S	9	48	Guernsey	R	12	54	Manchester	S	8	46	Reykjavik	R	4	39	Warsaw	C	8	46
Brussels	S	10	50	Helsinki	F	-6	21	Melbourne	R	16	61	Rhodes	S	23	73	Washington	F	13	55
Budapest	C	8	46	Hong Kong	S	29	84	Mexico City		–	–	Rio de Janeiro		–	–	Wellington	S	12	54
Buenos Aires		–	–	Innsbruck	F	8	46	Miami	S	22	72	Rome	F	21	70	Zurich	S	7	45

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

Weekend FT

SECTION II

Weekend October 31 / November 1 1992

FERGUSON

John Major and the recurring Tory nightmare

Philip Stephens *assesses the mutterings of backbench rebellion in the members' lobby at Westminster*

IT IS 2.30 pm in the members' lobby of the House of Commons, the marbled inner sanctum at Westminster where MPs and ministers gather on the threshold of the debating chamber.

Sprawled on a green leather bench just outside the office of Richard Ryder, the government chief whip, four of the Tory party's most ardent Euro-sceptics are plotting against John Major. They are oblivious of the steady stream of colleagues visiting the man charged with delivering the votes of the Conservative party to its prime minister. Instead they are noisily confident that come next Wednesday's crucial vote on the Maastricht treaty, Ryder will fail and Major will be defeated.

Just a few paces away a loyalist knight from the shires is admonishing a new boy – one of the 61 Tory MPs who first entered parliament after the April general election – about the "enemy within". The "venomous Thatcherites" opposing Major, he declares gravely, are out to destroy the government and the party. They must be beaten, once and for all.

A glance over their shoulders adds a third dimension to the surreal tableau. Another Tory knight is negotiating with a television reporter over an appearance on the evening news bulletins. This one, a member of the executive of the powerful 1922 committee of backbenchers, is ready to offer a soundbite telling the prime minister to listen more to his backbenchers. The deal is struck.

As the bell rings to announce the daily prayer session with which MPs start each day's political mud-slinging, a cabinet minister scurries by. He dodges questions from the political reporters charting the latest twist in the government's struggle with its own supporters. An anxious countenance provides its own answer. A Tory Parliamentary Private Secretary, one of the unpaid bag-carriers on the first rung of the ministerial ladder, breaks off a conversation to head for the chamber: "I'm going in. I want to pray. I think it might help".

He will not be alone on his knees during the next few days. Major has turned next week's debate on the Maastricht treaty into an issue of confidence in his premiership. A defeat at 10 o'clock on Wednesday evening would fulfil his worst nightmare, stripping him of what remains of his clothing of authority. He might well resign, forcing the second Tory leadership battle in as many years. Like that of Margaret Thatcher, the defeat would not be at the hands of the opposition, but at those of his own supporters. The proximate cause – Britain's place in Europe – would be identical, but with a bizarre twist. In 1990 the party would not be led by a Europhobe. Now it would be deciding to reject her successor's pragmatic Europeanism.

The prime minister is gambling that the fever will abate. By the time the Commons division bell sounds, the party will have come to its collective senses. It will recoil from a course which would threaten an end to the longest period in government since Lord Liverpool's premiership 180 years ago.

They may well be right. The noisy cheers which greeted Major when he issued a personal appeal to the backbenchers on Thursday night suggests that loyalty still finds a place in Tory party politics.

Thatcher's demise was an occasional exception. More frequently the noise and smoke of the party's private wars have left the antagonists bloodied but still standing on the battlefield. The modern Conservative party has learnt that the price of being divided is opposition. It is more than 70 years since the struggles over Imperial Preference kept the Tories out of office for a generation. It is 150 years since the repeal of the Corn Laws split irrevocably the party then being shaped by Sir Robert Peel.

Lord Whitelaw, the elder statesman who steered Thatcher away from many a disaster during her first years in Downing Street, is convinced the party can be held together. He blames the present malaise above all on the economic recession. Sterling's enforced departure from the European Exchange Rate Mechanism was a significant national defeat. The plan for large-scale closures in the coal industry during the recession was a bad mistake. But with sensitive handling of his supporters Major can retrieve it. "He needs now to calmly and quietly assert his authority . . . But let us never forget that it was this prime minister who won the election for us".

Part of the problem is simply the arithmetic. Large Tory majorities during most of the 1980s allowed the luxury of occasional rebellions. They accommodated the irreconcilable anti-Europeans who have never accepted Britain's entry into the European Community; and the dozen or so bloody-minded MPs who never need an excuse to rebel. Major has a majority of just 21. So as Sir Norman Fowler, the party chairman puts it, Tory MPs must adjust: "It isn't the case any more that they can vote as they like just as a demonstration. It is very much for real."

The new intake – most of them professional rather than part-time politicians – has still to adjust to the reality of life on the backbenches. They find it hard to accept they have no executive powers, that they will have to wait years rather than months to secure the most junior post in the government. Over time they should settle down.

But Major meanwhile has to live with that arithmetic. A batch of headlines on Thursday morning declaring him the victor in the battle over Europe may not be enough. The Autumn Statement next month will bring further harsh decisions. The economic recovery remains a distant prospect. The past few weeks have left the Conservatives and the government in sickly shape. It will take more than a single vote to restore them to health. Major's enemies are not alone in drawing parallels between the ERM defeat and the crippling blow which the Suez debacle delivered to Sir Anthony Eden's government in 1956. As Lady Thatcher returns to haunt her successor they recall that after Suez Eden could never escape from the shadow of Winston Churchill.

The change in the mood at Westminster in six short months is breath-taking. In April Major had defied the pundits, the opinion polls and the odds to deliver a fourth election victory. He had confirmed his personal authority over the party.

Now the Conservatives look like a party that has lost its way, lacking ideological purpose, unsure of its will to sustain its prime minister in office, fractious and rebellious. Britain faces the deepest political crisis since the winter of discontent in 1978. But the question being asked in the corridors of power is not whether the country, but whether the Conservative party is governable.

Lady Thatcher scents blood. This week she took a break from the lucrative international lecture circuit to encourage the rebels from her oak-panelled office in the House of Lords. Her friends report she now regards her chosen successor as a "footnote in history".

The Tory malcontents over Europe – the two dozen or so MPs who would belong more properly to an English National Party – have been joined by the disenchanted and dispossessed on the right of the party in challenging the prime minister's authority. Parliamentary motions designed to undercut Major's authority have attracted 60 or 70 signatures. The voice of the loyal silent majority has been drowned by the critics. Many have exulted in the national and personal defeat inflicted by sterling's ignominious retreat from the ERM.

Fresh from its victories in driving David Mellor from the cabinet, in obliging Major to put the issue of ERM re-entry firmly on the backburners, and in forcing the U-turn over the coal industry, the executive of the 1922 has begun to behave like an alternative government.

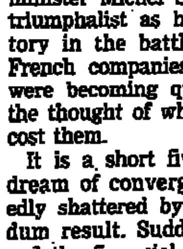
Led by Sir Marcus Fox, a garrulous and straight-talking Yorkshireman with a weakness for the media, the executive numbers 12 knights and one dame among its 18-strong membership. In a careful coup last May the executive was captured by the right. The constitution of "The 22" is unequivocal as to its role: "To render every assistance to the government and party whips in their efforts to carry on the affairs of the nation upon the sound basis of Conservative principles". However, its behaviour recently has drawn more inspiration from its antecedents 70 years ago, when it was born of a

■ Continued on page XI

CONTENTS

The Long View/**Barry Riley**

Britain's rebalancing actor



WHERE IS Europe going? I spent a fascinating few days last week in Paris at the congress of the European Federation of Financial Analysts' Societies, a meeting originally planned to focus upon the integration of Europe's capital markets but condemned in the event to rake over the half-dismantled debris of the exchange rate mechanism.

Yet the view from Paris is very different to that from London. Per Westerberg, the Swedish minister of industry and commerce, gave an impressive exposition of the determination of a small non-EC country (but aspiring member) to stay with the DM at any price and to retain international credibility. "Our currency must be defended by any means necessary," he said, not quite the attitude of our own Norman Lamont. Elsewhere the French finance minister Michel Sapin was cocky and triumphalist as he declared final victory in the battle of the franc. But French companies, it should be said, were becoming quite apprehensive at the thought of what the victory might cost them.

It is a short five months since the dream of convergence was unexpectedly shattered by the Danish referendum result. Suddenly the politicians and the financial markets were forced to look at the facts, and it was clear that too many EC member states were not converging at all. Now the UK and Italy are out in the cold and Spain hangs in the ERM only with the aid of a devaluation, exchange controls and 15 per cent interest rates.

You can argue that the mid-September crisis was just the first step towards a more or less complete breakdown of the ERM. Once the true consequences of over-valuation of the DM become clear even France will be forced to stand aside, leaving only a few small countries bordering Germany – and more or less integrated into its economy – linked to the DM. The historical parallel would be with the 1930s when France obstinately stayed on the gold standard until 1936 but suffered grievous economic damage as a consequence.

A quite different interpretation, however, is that the ERM is actually much stronger for having got rid of its weaker participants. Convergence among the remaining nine members may now proceed much more rapidly, and effective monetary union could be attained even more quickly than has been suggested by the Maastricht timetable. The Bundesbank, on this line of reasoning, will now be much more responsive to the needs of Germany's remaining partners than it ever was to Italy and the UK which, with some justification, it placed in the second rank.

However, the ability of Spain, Portugal and Ireland to stay the course must be in doubt. Moreover the populations of the UK, Italy and Spain together add up to nearly half the EC's 340m total. If Germany, France and the rest go on to the monetary fast track there would be a clear risk of splitting the EC in half, a division that would be accentuated if would-be members like Sweden, Switzerland and Austria were subsequently admitted, helped by their close-to-impeccable monetary credentials.

The prospects for the UK rejoining the ERM look pretty slim, and the nationalists in the Commons (and the Lords) are enjoying a spell of intoxicating publicity for their anti-Continental prejudices. After all, life does not seem so uncomfortable outside the ERM club. What the Treasury said only a few months ago was impossible has happened: interest rates (the short-term kind, anyway) have been reduced outside the mechanism, and are lower than in Germany. People have not yet been hit by higher prices and higher taxes.

Nevertheless, I think that the UK will eventually rejoin the ERM for the same reason that we originally entered in 1990, that life had become too difficult outside. The big difference will be that whereas last time we joined almost as a favour to the rest of Europe and at an exchange rate which we barely bothered to notify, let alone justify, to the Bundesbank, next time we shall enter on our knees and humbly accepting a string of conditions. It is unlikely to happen in less than four years, and will depend upon a substantial fall in German short-term interest rates, but sometimes events can move faster than you expect. Suppose that there is a further big fall in the value of sterling, and interest rates have to go up sharply to prevent a collapse of confidence? It might be necessary to look around for external support. Remember that after sterling was floated in 1972 it took just four years of economic mismanagement to take us to the door of the IMF.

For the time being, unlike Italy, which is in a still worse economic plight, the UK has been able to cut short-term interest rates. But we cannot reduce long-term rates, which remain higher – in some cases substantially so – than in Germany, the US or Japan. There is the risk of a public sector funding crisis next year which foreigners will not be at all keen to assist in solving; there are few natural overseas holders of sterling any more, now that it carries no ERM badge of quality. City estimates of 1993-94's public sector borrowing requirement are creeping up past £50bn, and that is without reckoning the cost of the industrial or financial bailouts which are becoming all too likely.

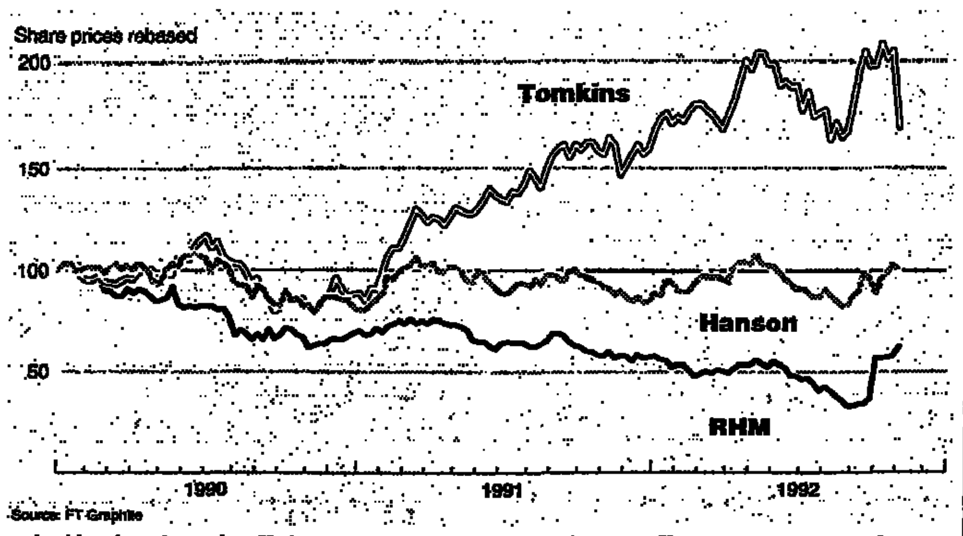
For the international financial analysts the UK has now become peripheral. Global investors like to simplify their task by dividing the world into blocs, and countries which stand outside them may have to bear a risk premium. In the case of Italy this is already large, and Italian government securities are coming to be regarded as junk bonds.

Britain is a long way further up the creditworthiness league table, but analysts in Paris, Frankfurt and Zurich will note that Norman Lamont is "rebalancing" policy away from the control of inflation and towards growth. They will understand what that means in any language.

London Markets

Private lives and public money

By Peter Martin, Financial Editor



Source: FT Graphite

"As Noël Coward might have said, cheap money is not as potent as cheap music."
Norman Lamont, Mansion House speech

The Scene is the terrace of a grand building in the City of London. It is evening. Tall French windows at the back open on to a hall where – from the sounds that drift out – a banquet is in progress. Elyot and Amanda enter from the rear; he is wearing tails, she an evening dress.

Elyot: Something dreadfully depressing about bankers *en masse*, I always think.
Amanda: Rather vulgar to be so openly unhappy.
Elyot: One should keep one's sorrows to oneself. Unless one can find someone else to blame for them, of course.
Amanda: That's what I said to Norman only the other day. You're not jealous that we're still chums, are you darling?
Elyot: Baffled, rather. No one else admits to being a friend of his, except Robin. They bring out the worst in each other.
Amanda: Well, I think it's a match made in heaven. Just think of all those billets-doux they'll be sending to each other now they've decided to come clean with the world.
Elyot: Too common: "Dearest heart, inflation's doing nicely, don't you think?" "Yes, sweetheart, whatever you say."
Amanda: And: "What a dear little forecast!"

They laugh conspiratorially. From the orchestra in the hall behind, we hear the opening bars of "M3 becomes you". Amanda and Elyot hum along, before breaking off and looking guiltily at each other.

Elyot: Extraordinary how potent cheap money is.
Amanda: Not as potent as cheap music.

They drift into each others' arms and start dancing slowly. The lights dim, but we can still see them dancing in the gloom.

On the other side of the stage, the lights rise, revealing Greg, a chisel-featured man in his mid-40s wearing a silk dressing gown, with the word TOMKINS embroidered on the pocket. He is sitting in an armchair, talking on the telephone.

Greg: Well, James, I think it's foolish of you to get so worked up about it. Ranks Hovis McDougall – what a pretentious name! It's only a little bread company, after all. *(Pauses, to allow the other person to reply.)*

Oh, don't be like this, don't be like *this*. You never used to do this when we were together all those years ago. *(Pause, during which Greg becomes visibly irritated.)*

No I don't think a one-for-two rights issue is "going it". Yes, I know our shares fell 19 per cent on the news. Well, if that's the way you feel, I'm not going to argue any more. But I'd advise you to think twice about upping the stakes. My offer's quite breathtaking enough – and *I'm* young enough to enjoy sorting out a bakery. *(Pauses.)*

Yes, of course you taught me everything I know. But really, you're far too experienced and shrewd to be anything other than philosophical about it. Now, if I may make a suggestion, isn't it time you thought again about ICI? This week's results were simply ghastly, and I have a strange foreboding about the plan to split the company. If I were you...

(His voice trails off as he disappears again into the gloom and the lights pick up Elyot and Amanda on the other side of the stage. The music stops and they drift apart, clapping soundlessly.)

Elyot: There's something wild about you tonight, something strained.
Amanda: Wild! Oh, Elyot, I've never felt less wild in my life. A little strained, I grant you, but that's the current atmosphere; you can't expect anything else. Devaluation is a very over-rated amusement.
Elyot: You say that because you had a ghastly experience before.
Amanda: There you go again.
Elyot: It couldn't fail to embitter you a little.
Amanda: The devaluation wasn't such a ghastly experience really; I hummed in my bath for days. It was afterwards that was so awful.
Elyot: Well, I intend to make you forget about the economy altogether.
Amanda: How can I when I keep reading all those headlines? *(She picks up an imaginary newspaper and pretends to read from it.)*

"British Steel to cut production 20 per cent. CBI reports further drop in business confidence. Manufacturing Industry to cut 25,000 jobs a month for rest of year. Lack of orders limits output."

Elyot: Very flat, demand.
(A speech has started in the hall inside. We start to hear it more distinctly, and Elyot and Amanda pause to listen to it.)
Speech: Economic confidence is an elusive quality; it cannot simply be drawn like a rabbit from a conjurer's hat. I may be dressed as a magician, but I am, in fact, just the Chancellor of the Exchequer.
Amanda: Worse luck!
Speech: In judging whether we are on track to meet our inflation objective, we will take account of the behaviour of the monetary aggregates, narrow and broad; of asset prices, particularly house prices; other indicators of inflationary pressure; and of course, the exchange rate. Prospective, not current, inflation will be our guide.

We are moving from a largely rules-based system to one that is more discretionary. The need for judgment is obviously greater outside the ERM, which makes it all the more important that it is exercised in a consistent way.
Elyot: Consistent? Or consistently political?
Amanda: Monetary policy is no use unless it is wise, and stern. and undramatic. Something steady and stable, to smooth your nerves when you're over-excited. Something tremendously Germanic, unflurried by scenes and jealousies. That's what I want, what I've always wanted really. Oh my dear, I do hope it's not going to be dull for you.
Elyot: After the last few weeks, dullness is all I crave. We'd better go back in, or we'll miss the Governor's speech.

They leave through the windows. The orchestra strikes up "Somewhere over the Rainbow".
THE CURTAIN FALLS

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992 High	1992 Low	
FT-SE 100 Index	2658.3	-11.4	2737.8	2281.0	Interest rate uncertainty.
Blue Circle Inds.	167	+9	284½	121	Hanson bid spec.
British Steel	47	-15½	88	46	Production cuts
Croda	218	+12	218	142	Company seeing shareholders
Delta	385	-31	506	331	Kleinwort Benson downgrade
Graseby	141	-15	227	128	Broker downgrade
HSBC	510	+30	514	236	Hong Kong market rallies
Lloyd Thompson	231	+17	258	160	BZW buy recommendation
Marks & Spencer	322	-21	348	268	Disappointing margins
Pearson	348	-38	459½	297	Capel downgrade
RHM	275	+26	275	130	Tomkins bid
Standard Chartered	485	-28	537	364	Broker downgrades
TSB	135½	-7½	153½	115	Smith New Court downgrade
Tarmac	90½	+8½	161	51	Takeover speculation
Tomkins	212	-55	279	202½	RHM bid/rights issue

Serious Money

In search of the perfect Pep

By Philip Coggan, Personal Finance Editor

THIS WEEK produced a breakthrough in the world of personal equity plans – the guaranteed Pep.

A lot of people have been disappointed with their Peps. Devised by the then chancellor Nigel Lawson as a means of encouraging wider share ownership, the first schemes were launched in 1987, just in time for the Crash and for five years of meagre profits for equity investors.

In the early years of PEPs, unit and investment trust plans had very small maxima, so most people were directed into "managed" plans, in which stockbrokers chose a limited number of shares. Performance has been mixed.

Unfortunately, many people leapt at the "tax-free" element of Peps without considering too carefully what those tax advantages might be. The exemption from capital gains tax is handy for high net worth investors, but only 165,000 made enough profits to pay CGT in 1991.

The income tax exemption may also be not as good as it sounds. If a portfolio yields a gross 4 per cent, a basic rate taxpayer saves just 1 per cent in tax in the first year from the exemption. Even on a full annual allowance of £6,000, that represents a gain of just £60.

That gain could be wiped out in one hour's share trading – and it can also easily be swallowed up by charges. Small wonder that dissatisfaction is widespread.

But the good news is that the industry seems to be trying to offer investors better value. Over the last few months, a number of fund managers have cut initial charges. One of the most recent was Murray Johnstone, which has an initial charge of only 1 per cent on its unit trust PEPs, with no extra fees; and an initial charge on its investment trust Pep of £35 plus VAT.

Legal & General joined the throng this week with a cut in its initial charges to 3 per cent on a range of plans, with five profiles: recovery, income, growth, worldwide and smaller companies. Each is based on an individual unit trust except for the growth profile, split 50 per cent between Legal & General's equity and recovery unit trusts.

The annual charge on Legal & General's trusts is 1.5 per cent, higher than some other managers' plans. This could hamper performance over the long term, which might cancel out the benefit of the lower initial charge.

How have the trusts performed? Over the one, two and three years to October 1, the Recovery fund has been in the top quartile (best 25 per cent) of the UK growth sector. The smaller companies fund has been in the top half of its sector over all the periods from one to seven years.

The equity income and worldwide growth funds performed less well: they have below average performances over one, two, three, five and seven years. The equity fund is in the middle with mostly above average performances, but a poorer record over the last year.

But the more innovative element of Legal & General's package is the guarantee. This plan invests in the Recovery trust and Legal & General guarantees that, after five years, if your holding is not worth the amount you originally invested, it will pay you the difference.

Most of the guaranteed products sold to date have had three flaws. The first is inflexibility; the investor can be penalised if money is withdrawn before the guaranteed date. The second concerns tax. In some cases, all the gain has been subject to income tax; in other cases, higher rate taxpayers will face a charge equal to the difference between the two tax bands (currently 15 per cent). Profits on conventional equity investments are subject only to capital gains tax.

But possibly the biggest snag with a guaranteed product is lack of income. Not only do most products pay no income at all during their lifetime, but they usually aim to meet only the *capital* appreciation of the index. The running yield on the market is currently around 4.7 per cent gross, which an investor in the guaranteed product misses. That compounds into a net 19 per cent or so over five years.

The Legal & General plan gets round most of these problems. An investor can sell his holding without penalty at any time, although the guarantee only applies at the five year anniversary. All profit and income is tax free. And the investor benefits from the yield on the trust, currently 3.71 per cent.

But life is never perfect. Most guaranteed products use futures or options to track the index, so an investor is bound to get a performance close to that of the market (minus the income). Legal & General's Recovery trust could perform badly and an investor's return could be well below average.

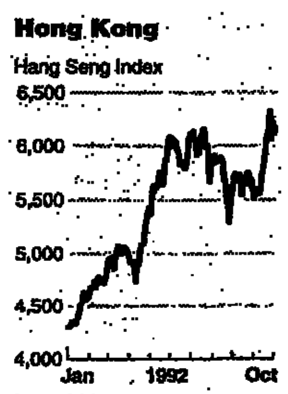
On the other hand, this is precisely the risk that investors take when they invest in all other non-index tracking Peps.

The second snag is that the guaranteed Pep carries an initial charge of 5.5 per cent, rather than the 3 per cent on the rest of the range. There are no other charges, however, and 5.5 per cent is not out of line with much of the rest of the unit trust market.

We have not quite reached my ideal. That would be an index-tracking Pep with no front end charges, a low annual charge and a guarantee. But, step by step, we are getting there.

AT A GLANCE

Source: Datastream



Source: FT Graphite.

Sterling falters as base rate rumours grow

Those who managed to switch from sterling into dollars in August, when the rate was $2/£, will have made a profit of more than 20 per cent by now. The pound continued its decline this week as the markets speculated that further interest rate cuts were on the way. Yesterday afternoon, the pound had fallen to around $1.56. The bad news is that those planning a US holiday will find that prices are no longer quite such a bargain.

Hong Kong gets the jitters

The extreme political uncertainty suddenly afflicting Hong Kong is reflected in the performance of its stock market, which is measured by the Hang Seng index. The index mounted a strong recovery at the beginning of this month after a patch of volatility, as marketeers reacted favourable to a Sino-US trade agreement. But since then some of the gains have been rubbed out as sentiment was hit by the sparring match between new governor Chris Patten and the Beijing authorities. The volatility seems likely to continue.

Unit trust Peps take off

Unit trust personal equity plans seem to have taken off at last. In the third quarter of this year, with new share issues flopping almost daily, regular doses of dreadful economic news including Black Wednesday itself, and end-of-year tax-planning still months away, sales of unit trust Peps still managed to surge. Net inflow for the quarter was £319m, compared with only £141m for the same quarter in 1991. The total value of unit trust Pep funds under management is now £2.62bn, more than triple its level of two years ago.

For September, the number of trusts continued its inexorable increase, from 1,423 to 1,428, while the number of unitholder accounts fell from 4.4m to 4.38m.

PIBS portfolio launched

Johnson Fry has launched a "personal PIBS portfolio" investing in the permanent interest bearing shares issued by building societies. The portfolio will invest only in PIBS issued by the top ten societies. As of October 21, the fund would have offered an 11.42 per cent gross yield (yields will probably have changed since then). The minimum investment is £20,000 and income will be paid quarterly. There is an initial charge of 4 per cent but no further charges for four years. A £20 per quarter administration fee will be charged thereafter. ■ Exeter PIBS fund, Page III.

Lower rates for savers

Halifax and Nationwide, the UK's two largest building societies, announced cuts in rates for savers yesterday. Halifax now pays 8.20 per cent on its Tessa (down from 9.20 per cent) while Nationwide pays 8.10 per cent for amounts of £3,000 or more (down from 9.10 per cent). Both are now offering a maximum gross interest rate for a 90-day notice account of 8.50 per cent.

Fillip for smaller companies

Smaller company shares have continued to benefit from the more cheerful tone of the markets, in the wake of recent interest rate cuts. The Hoare Govett Index (capital gains version) rose 0.9 per cent over the week to October 29 from 1075.58 to 1085.44. Meanwhile the County Index also rose 0.9 per cent from 831.03 to to 838.71 over the same period.

Wall Street

Traders indulge in a little trick or treating

THE AIR on Wall Street was thick with political rumours this week as stock market traders indulged in a bit of early Hallowe'en "trick or treating".

They included rumours that President Bush had overtaken Governor Clinton in the polls (he had not, but the gap had narrowed), that more damaging evidence about Clinton's subversive anti-war activities in the 1960s would be released (it was not), and that new, nastier revelations about the Democratic candidate's past love-life were being prepared by the tabloids (they were not, at least, not yesterday).

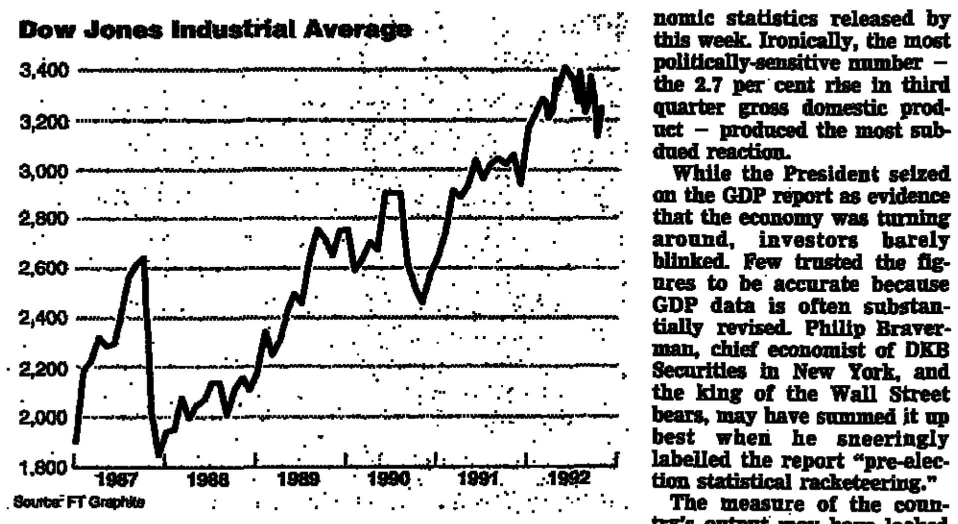
Stock markets are always vulnerable to political speculation during an election campaign, never more so than in the final few days.

This year's election, however, has been particularly difficult for investors to call. Apart from an especially fickle electorate, much of the blame for this lies with Ross Perot. The Texan billionaire's influence on the race has been almost impossible to track. His ratings rise after each debate appearance and every "teacher-knows-best" television commercial, only to fall sharply after every paranoid complaint about armed attacks on his house, computer-doctored photographs and Republican dirty tricks.

The markets are not worried that Perot will win, but they are worried about the uncertainty his up-and-down candidacy brings to the race. Having gradually become accustomed to the prospect of a President Clinton – and even come to rather like the idea – equity investors are having to grapple with the thought that a last-minute desertion of Perot supporters to the Republican camp could let President Bush in through the back door.

This might explain why the stock markets did not greet the reports on Wednesday and Thursday that Bush was rallying in the polls with much enthusiasm. In normal circumstances, a sharp improvement in an incumbent Republican president's standing in the polls would be a cause for celebration.

But this is not a normal year. A Clinton victory was almost fully priced into stocks about two weeks ago, and the market was poised to celebrate a Democratic win. Bush's revival has threatened to upset those carefully laid plans. The pharmaceutical stocks that institutions sold, on expectations that a President Clinton would introduce drug price controls, may have to be bought back. Construction, heavy equipment and transportation stocks, bought in hopes of big increases in the country's infrastructure spending, may have to be sold.



Source: FT Graphite

Judging by the erratic performance of stocks in the latter half of the week, some investors were doing just that, frantically shuffling their assets in a final attempt to position their portfolios for the big day.

The markets were not helped by the confusing array of economic statistics released by this week. Ironically, the most politically-sensitive number – the 2.7 per cent rise in third quarter gross domestic product – produced the most subdued reaction.

While the President seized on the GDP report as evidence that the economy was turning around, investors barely blinked. Few trusted the figures to be accurate because GDP data is often substantially revised. Philip Braverman, chief economist of DKB Securities in New York, and the king of the Wall Street bears, may have summed it up best when he sneeringly labelled the report "pre-election statistical racketeering."

The measure of the country's output may have looked good for the economy, but most the week's other figures painted a bleaker picture. Consumer confidence was down again, as were new home sales, durable goods orders and manufacturing activity in the industrial Midwest, while jobless claims were up.

The week's quarterly corporate earnings reports were also less than promising. Chief among the disappointments were was car makers. General Motors' $752.9m loss in the third quarter may have been slightly smaller than expected, but turmoil in GM's top management – chairman Robert Stempel was ousted on Monday and other managing directors are expected to go soon – point to an uncertain future for the country's biggest manufacturing company.

Ford may have a more stable management, but like GM it is suffering from a serious decline in its European markets, which contributed to the $158.9m loss the company reported for the third quarter. The extent of Ford's problems in Europe – where all the big economies are in trouble – surprised the market, and led to a sharp downward revision in Wall Street's estimates of fourth quarter earnings. As one analyst put it: "It wasn't the size of the loss. It was how they lost it."

Patrick Harverson

Monday	3244.11	+ 36.47
Tuesday	3235.73	– 8.38
Wednesday	3251.40	+ 15.67
Thursday	3246.27	– 5.13

The Bottom Line

M and S sticks to its formula

WHEN THE late, great Sam Walton was asked how he built Wal-Mart from one store in Bentonville, Arkansas, into the biggest retailer in the world he often replied by recounting how he sold satin ladies' panties in the 1950s.

"I found that by pricing the item at $1 I could sell three times more of it than by pricing it at $1.20. I might make only half the profit per item, but because I was selling three times as many, the overall profit was much greater," he recalled in his autobiography.

That simple maxim was one of the prime reasons that Wal-Mart's sales grew in five decades from next-to-nothing to $44bn (greater than the gross domestic product of New Zealand). But it is a retailing truth practised – if less spectacularly – by many other companies around the world.

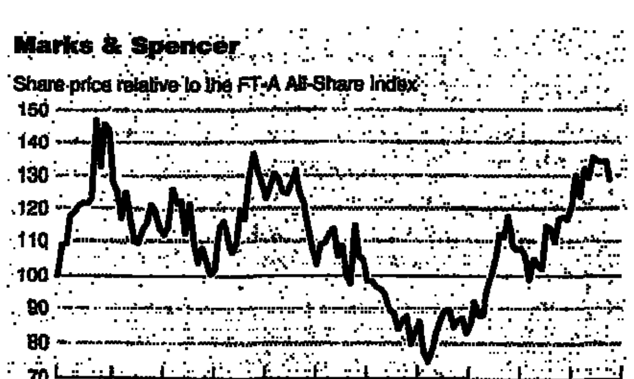
This week, Marks and Spencer, the most notable exponent of the art in the UK, proved that the formula still works even in the depths of a severe recession which has left almost every other retailer reeling.

Interim pre-tax profits were a sparkling 20 per cent higher at £257.1m. Even when the effects of the previous year's exceptional charge were stripped out, the company still showed an 11 per cent gain.

Because of the vast volume of goods that M and S buys across a relatively narrow range, the company is able to operate on a very low gross margin of about 34 per cent ensuring that its clothes are competitively priced.

But, because of exceptionally low operating costs, which stem from its £2bn freehold property base and its efficiency, it is also able to retain a high proportion of that profit at the net level.

So, for example, if M and S sold a pair of pants for £1 it would take 34p in gross profit and, after paying all staff and occupancy costs, would keep almost 12p to reinvest in the business and distribute to shareholders.



Source: Datastream

When you multiply that sum by a factor of several million it is easy to see why M and S single-handedly accounts for about 25 per cent of all the earnings generated by the 34 biggest publicly-quoted stores companies in the UK (excluding food retailers), and why its shares account for 30 per cent of that group's total market capitalisation.

M and S clearly benefits from its colossal size relative to its competitors in the clothing industry. Its 18 per cent market share is almost twice that of its nearest rival, Burton Group.

A similar profit equation also holds true – although to a lesser extent – on the foods side of M and S's business, which accounts for 40 per cent of sales. Although it is a small player compared with J. Sainsbury and Tesco, M and S sells very high volumes of very few lines.

But, although sheer size gives M and S tremendous economies of scale, it also creates several strategic challenges: the most obvious being how does it keep the growth momentum going?

Although M and S's latest results were undeniably impressive, its City critics gathered ammunition from the fact that its UK food and clothes sales were virtually flat while group sales – depressed by retrenchment in Canada – fell by 0.3 per cent to £2.64bn.

The recession is clearly the central factor, but the bears argue that in the UK, M and S is close to saturation point. Its diversification into North America has proved a bitter and costly disappointment. And while its organic expansion into mainland Europe is progressing well it will still be several years before it contributes a significant share of group profits.

Such concerns fuelled a 6 per cent fall in M and S's share price this week to 322p as it began to lose some of its lofty premium to the market. When the long-awaited consumer resurgence eventually arrives, the company's shares may again suffer as investors move out of classic defensive stocks into more cyclical retailing plays.

But M and S has confounded such doubters in the past and Sir Richard Greenbury, the company's pugnacious chairman, delights in the challenge of doing so again. Many people have regretted betting against the mighty M and S.

John Thornhill

FINANCE AND THE FAMILY

Interesting alternative to building societies

***Philip Coggan** considers the advantages of bond funds which invest in government securities and corporate debt*

INTEREST rates are falling rapidly and savers will inevitably be looking for alternatives to the building society.

In the US, one option which is commonly favoured by investors is a bond fund, which invests in government securities and corporate debt. Bond funds make up a substantial proportion of the US mutual funds (the equivalent of unit trusts) market.

In Britain, the market is much smaller. There is some £670m invested in UK bond funds, out of a £50bn plus unit trust industry.

But unit trusts have high hopes that bond funds are a key route to attracting investors who still have memories of the 1987 stock market crash and are accordingly frightened of investing in equities.

Indeed, the graph shows that gilt and fixed interest funds have performed rather better than their equity rivals over the short term. The average gilt unit trust beat the average UK equity growth trust over the one, two, three and five years to October 1. It is only over seven and 10 years that equity funds pull ahead.

So what are the characteristics of a bond fund? A manager puts together a portfolio of bonds with the aim of providing a steady income, and sometimes modest capital growth. The investor hopes that the manager's skill in handling this portfolio will justify the charges.

The prospect of charges may put off those investors who are aware that gilts can be bought cheaply through the post office. But initial charges have been falling across the sector, with Abtrust, for example, launching two funds without any front-end charge in September. Fidelity, Guinness Flight and Invesco MIM have all cut charges on bond funds this year.

A further potential disadvantage of gilt funds is that profits made by a unitholder are subject to capital gains tax, unlike direct holdings in gilts which are CGT-free. However, since few investors realise enough profits to breach the annual £5,800 (after indexation) CGT allowance, this is not a problem which will deter many.

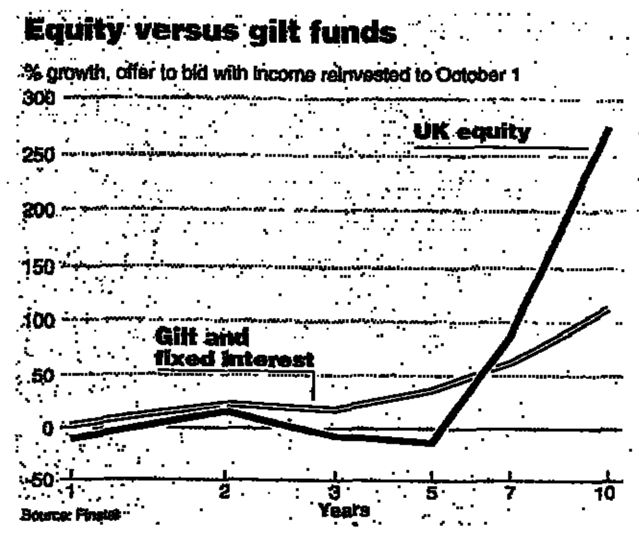
Bond funds divide into three rough categories; those which invest in UK gilts; those which invest in preference shares or other fixed rate instruments; and international funds.

The process of choosing a fund thus involves several stages. First you have to decide on the type of fund you want. Gilt funds are probably the most straightforward, since there is no real credit risk – you can be certain the government will repay its debts. If the fund is an onshore unit trust, then the Investors Compensation Scheme would cover £48,000 of the first £50,000 should the manager fail.

That is not to say that the bond fund cannot decline in price, either due to managerial incompetence or perhaps a rise in interest rates.

With a preference or non-gilt fund, you also have a credit risk that the company involved might fail; with an international fund, you have the foreign exchange risk that other currencies might fall against the pound (it may seem unlikely in the wake of recent events, but it could happen).

A further key factor is the yield. Do not be seduced into thinking that the trust with the best yield is necessarily the best investment. The fund could be investing in gilts with a high running yield, but which are trading well above par value. So the high yield could be at the expense of capital loss in the future.



The yields on onshore gilt unit trusts are shown each day in the Managed Funds section of the *Financial Times*. For example, the Commercial Union preference share fund (top of the UK sector over 10 years) yielded 8.67 per cent gross on Friday morning; Abbey Capital Reserve (top of the sector over five years) yielded a gross 7.26 per cent.

If you want a regular income, then you should pay careful attention to dividend payment dates. Guinness Flight offers a portfolio which pays monthly dividends, using three trusts – Premium Fixed Interest, EMU (which invests in European bonds) and Global High Income. The average dividend yield works out at 6.9 per cent, net of basic rate tax and expenses.

For non-taxpayers, offshore bond funds have the advantage that they can pay income gross. The funds frequently invest in Eurobonds, which are not subject to withholding tax. But Barlow Clowes illustrates the dangers of the offshore route; investors may want to restrict themselves to managers with household names, or in countries such as Bermuda, Guernsey, the Isle of Man and Jersey which have investor compensation schemes.

Past performance is at best only a guide in fund selection and even then, one should not assume that the top fund in the sector over one time period will do as well in the future. Consistency is a very important factor. In the UK gilt sector, the following funds have an above average performance for the sector over one, two, three, five, seven and ten years; Aetna Preference; Barclays Unicorn Gilt & Fixed Interest; Invesco Mimstar Gilt & Fixed; Kleinwort Benson Gilt; Legal & General Gilt and Swiss Life Fixed Interest. Abbey Capital Reserve Account, Eagle Star UK Preference and Whittingdale Short Dated Gilt have not been running for ten years, but all have above average performances over all periods from one to seven years.

In the international fixed interest sector, few funds have been running for more than five years. Abbey Worldwide Bond is top of the sector over five and ten years and second over one and three years. S&P International Bond is top over seven years, and above average over all periods from one up to ten years.

The final important factor to remember is charges. In the long run, a good performance should outweigh higher charges but of course, future performance is unknown whereas charges are clear at the outset. So, if two trusts have similar performance records, the odds favour the one with the lower charges.

The bond fund sector is particularly active at the moment with two current fund launches. Schroders is launching a global bond funds which will have an estimated gross yield of 6.25 per cent. The initial charge is 3 per cent and the annual charge is 1 per cent. There is a minimum investment of £1,000, or £25 a month for regular savers.

A new trust from Exeter Fund Managers, ExBal, will invest in a different sector of the market – permanent interest bearing securities. These are issued by building societies and tend to offer a higher yield than gilts, although, of course, this reflects a higher risk. If a building society goes bust, holders of PIBS would be behind depositors in the queue for repayment.

Exeter claims it can pick and choose the best PIBS, which will form around 60 per cent of the trust's portfolio, the remainder will be invested in zero coupon preference shares of investment trusts, which will provide capital growth and, via reinvestment, the prospect for a growing income.

ExBal will have an initial gross yield of 6.5 per cent. The initial charge is 5.25 per cent and the annual charge 1 per cent. The minimum investment is £750.

Meanwhile, Framlington has combined its trusts which previously were first and third in the sector over three years. The combined trust is managed by Alpha Global Fixed Income Managers, which says it manages the trust for total return (a combination of income and capital growth).

Chasing the base rate

***Scheherazade Daneshkhu** looks at money market funds*

SAVERS who are reluctant to put their money into either gilts or equities, but want better returns than a high interest building society account, can turn to the money markets.

These are markets where banks and other financial institutions lend and borrow money. Rates in these markets are normally very close to base rates which means that funds based on the money markets can offer a very competitive return.

There are a number of funds based on the money markets, some of which quote interest rates every day in the second section of the *Financial Times*.

Some building society accounts may occasionally offer higher rates than these funds. But building society savers can be attracted into an account by high rates, only to suffer when rates are suddenly cut to much less appealing levels.

A variety of funds offer money market rates:

■ Cash unit trusts

Your money buys units in the fund, and the value of the units (and thus your holding) goes up in proportion.

There are more than 30 cash unit trusts but not all are targeted at the private investor. For example, Govett MIS Cash, the second largest in terms of fund size, requires a minimum investment of £100,000 and is used mainly by brokers.

The largest cash unit trust, with £68m under management, is run by Fidelity Investments. Recently renamed the Easy Access Cash Account, Fidelity has aimed the fund at private investors, rebasing the price of units in the fund to £1, with the unit price remaining a stable £1. This makes it immediately apparent to investors how much they hold. The minimum investment is £1,000 and those who keep £5,000 are issued with a cheque book (cheques must be for a minimum of £250).

On Wednesday, Fidelity's cash unit trust was yielding 9.1 per cent gross and Morgan Grenfell's cash account, 9 per cent gross, both on a minimum of £1,000. There are few banks or building societies offering rates as high as this on £1,000.

Both these accounts operate like a postal account, with withdrawal slips provided and you should receive a cheque within three days of posting the withdrawal slip.

Most cash unit trusts carry an annual management charge of 0.5 per cent, which is deducted from the trust's income. The rates quoted above are net of this.

The main risk with a cash unit trust is that your money could be invested in a bank or financial institution that collapses. However, fund managers screen banks carefully, and spread their investments between the banks. Investors with cash unit trusts are protected by the investor's compensation scheme.

■ Trust Funds

If you do not like the idea of buying units, a money market trust fund operates almost identically to a bank account by holding your money in cash. There are only a small number of trust funds and most deal at the wholesale end of the market, that is with companies and charities.

Gartmore (which also manages a cash unit trust), offers a number of funds, including a call fund and a seven-day fund. The minimum deposit is £5,000 and the interest rate being paid on the call fund on Wednesday was 8.98 per cent gross and 8.55 per cent gross on the seven-day account.

You can withdraw money by telephoning Gartmore which will transfer the money either electronically, or, if the amount requested is under £1,000, by cheque. As its name suggests, the call fund allows instant access to your money.

Anthony Myers, managing director of Gartmore, says that there are no charges on the account because it is cheaper to run than a conventional bank account.

These funds are covered by the Deposit Protection Scheme, which will refund 75 per cent of the first £20,000, that is, a maximum of £15,000.

■ Bank Accounts

The Big Four clearing banks – Barclays, Lloyds, National Westminster and Midland – all offer money market accounts. Money can be deposited at a fixed rate for a specific term. The interest rate is fixed but since these are money market funds, the fixed rate you are offered will vary on a daily basis. The maximum deposit is usually £250,000. Rates quoted below are all gross.

If you have a minimum of £5,000 at Midland, you could have deposited this on Thursday for six months at a fixed rate of 6.25 per cent or for one year at 5.94 per cent. You would have needed a minimum of £10,000 for a seven-day notice period fixed at 7.19 per cent gross, while with £25,000 you could have locked into a one month fixed rate of 7.31 per cent gross or 6.13 per cent for five months.

Lloyds, which requires a minimum deposit of £10,000, was offering 6.12 per cent fixed for one month, 5.87 for three months and 5.37 for six months. Rates for the same fixed periods on £25,000 to £49,999 were 6.5 per cent, 6.25 per cent and 5.75 per cent.

Barclays operates its main money market accounts offshore through Barclays Bank Finance Company in Jersey. Fixed term deposits are for periods of one, three, six and 12 months. The minimum is £5,000. On Thursday you would have been offered a fixed-term interest rate of 6.13 per cent for one month, 5.5 per cent for three months and 4.69 per cent for one year.

Rates are higher on larger sums, for example, deposits of £25,000 to £49,999 were attracting interest of 7 per cent for one month and 6.38 for three months.

The lower fixed term rates on longer term deposits are a reflection of the banks' expectations that base rates are to fall further.

FINANCE AND THE FAMILY

Pension fears increase nearly threefold

Scheherazade Daneshkhu considers the rise in queries to Opas

PENSION worries in the wake of Robert Maxwell's fraud have helped to push up the level of inquiries to the Occupational Pensions Advisory Service nearly threefold in the year to March.

Opas, which offers free advice to those with problems about their pension said inquiries had risen from 7,240 last year (March 1990-March 1991) to 20,034 in the year to March 1992.

Apart from the Maxwell effect, Opas attributed the rise to the establishment of the Pensions Ombudsman in April 1991. The Pensions Ombudsman refers cases to Opas first.

In its annual report, Opas said the largest increase in inquiries this year related to difficulties following the wind-up of pension schemes. These queries accounted for 4 per cent of the overall number last year but increased to 14 per cent this year.

"Much of this is due to the many employer insolvencies during the recession but some resulted from employers choosing to discontinue their final salary pension schemes," said Opas. Some wind-ups involved instances of clear malpractice.

One deferred pensioner contacted Opas after his pension, already nine months overdue, had not been paid. Opas discovered that his employer had gone into liquidation and the trustees had wound up the scheme. It then emerged that a large proportion of the money from the pension fund had been invested in the employer company and other ventures, when these were already in financial difficulties.

Opas said the prospect of the employee receiving his pension was not good, since the remaining assets of the fund were unlikely to be adequate even to meet the existing pensions payment.

Margaret Grainger, president of Opas, said that for the individuals involved, such cases were "just as disastrous as for a Maxwell employee."

Opas will be submitting recommendations to an independent review of occupational pension schemes headed by Professor Roy Goode in the aftermath of the Maxwell affair, but Grainger said: "No amount of regulation will ever stop the rogues." She said Opas would not welcome over-regulation which would increase the burden of costs on honest trustees, while failing to stop the crooks.

The largest numbers of inquiries, this year as last, was about transfer values and the level of benefits on leaving service. Many complaints were about delays in the payment of transfer values.

In one case, an employee who left his public sector job in 1988 did not get receive his transfer payment until 1990, when it was £3,000 below the amount quoted to him when he left. After intervention by Opas, the scheme authority agreed to improve the transfer value by over £3,000.

However, Grainger said many of the inquiries Opas hadreceived arose because employees became worried after the scheme authorities failed to respond to letters from them.

Don Hall, Opas chief executive, said that in the vast majority of cases, complaints to Opas were made from people who did not understand their pension policy.

For example, some complaints were from those who had been sold a policy requiring annual premiums but thought they had bought a single premium policy. The report emphasised the "need for better communication so that scheme members more readily understand benefits and how they are calculated."

A safe future for their pensions?

Fidelity's alternative equity strategy

Philip Coggan weighs the pros and cons of a new way of investing in shares

MANY PEOPLE like the idea of investing in shares but are frightened of the risks. They remember the effects of the 1987 Crash and are wary of a repeat.

So the marketing slogan of the moment is: equity investment with reduced risk. One approach has been taken by the guaranteed funds (see page II), which protect investors against falls in capital if they retain their holding for a set period.

An alternative strategy was unveiled this week by Fidelity, the US fund management group. Its new set of unit trusts – the Stabiliser Growth Range – uses futures and options to try to reduce the risks involved in equity investment.

Futures and options tend to be associated in the public mind with speculation, and indeed they can be used for that purpose. But they also have a use as a form of insurance against disaster.

Suppose an investor has shares in British Telecom. He believes that in the long run, BT shares are a good investment but fears that in the short term, the price might fall sharply, perhaps because of some bad economic news.

He could sell all his shares with the aim of buying them back if the price falls. But that method would be costly and he would risk missing out on any BT share price rise. Instead, he could buy an option on BT shares, giving him the right to sell at, say, 360p. He would pay a premium of a few pence per share to do so.

If the share price drops to 300p, he could exercise his option and sell his BT shares at 360p. Alternatively, he could sell his option to someone else. If BT shares are at 300p, an option to sell at 360p is obviously worth at least 60p. This profit would offset the loss on his BT holding, and would allow him to retain his shares in the hope of a rebound.

However, if BT shares increased in price, he could simply let the option lapse. He would have lost the premium but he would have benefited from the rise in BT shares.

By using such methods, Fidelity's aim is an investment which does not fall as precipitously as the index in a bear market, but does not rise as quickly as the index in a bull market. A rough guide might be that if the index falls by 50 per cent, Fidelity's fund will drop by 15 per cent.

The bulk of the trust holdings – between 60 and 90 per cent – will be held in cash, with the manager holding the rest in various combinations of shares, futures and options.

There will be four funds, based in the UK, America, Europe and Japan respectively. The UK fund will have a gross yield of around 5 per cent per annum. The minimum investment is £1,000, with an initial charge of 5.25 per cent (1 per cent discount between November 2 and November 23) and an annual charge of 1.5 per cent.

So will these new products appeal to investors? There are a few snags. Unlike the guaranteed products, investors are not certain that their capital is safe. They do not even have the comfort of knowing that their maximum loss is, say 50 per cent. Of course, the same is true of investors in all conventional unit trusts – but that is precisely the problem Fidelity is trying to address.

One really has to rely on the manager's skill to ensure that the assumed benefits of the trusts – in terms of reduced risk – will accrue. Fidelity has been running the funds for institutional investors for 15 months – with some success. The Japanese fund, for example, has shown a modest rise even though the Tokyo market has fallen.

The tax position of investors is the same as on any other unit trust – that is any gain is subject to CGT and any income subject to income tax.

Fidelity funds are thus more tax-efficient and flexible than most guaranteed products, with investors able to invest and withdraw at any time.

It will be interesting to see whether the idea takes off. Fidelity says: "Our aim is to give investors most of the benefit of equity investment whilst enabling them to sleep at night" – but it is important to remember that these funds can lose money. Investors could be forgiven for waiting to see how the trusts perform over the next year or two before backing this relatively new concept.

Test of strength for life offices

MANY OF the UK's insurers had reason to be very relieved when base rates began to fall, suggests the latest survey of life office strength by *Money Management*, an *FT* magazine for financial advisers.

Had 15 per cent interest rates persisted, the magazine believes many offices might have found their liabilities exceeded their assets. That is a terribly insecure position for a life office.

Assessing the strength of a life insurance company is as complex an exercise as it sounds. But the exercise is also worthwhile, as it can help to spot future strong performers.

The simplest measure is the free asset ratio. This subtracts total liabilities from total assets, and then divides this by total liabilities. This crude measure can then be adjusted to take account of how much offices have reserved for terminal bonuses, or increased mortality because of AIDS, or other factors.

Differences in accounting policy make direct comparisons of ratio from one office to another very dangerous. But the trend for an individual office tells an unmistakable story. Of the 41 companies surveyed, 21 saw their ratios drop in 1991 and five stayed the same, but 15 did manage to rise.

This was in spite of the extremely poor year, 1990, when equity markets ended lower than they had started. That delivered a substantial blow to life offices' assets, and their free asset ratios. For example, Scottish Amicable saw a drop from 27 per cent to 9 per cent, and Scottish Widows from 49 per cent to 22 per cent.

Norwich Union dropped from 34 per cent to 14 per cent, and dropped still further this year to 11 per cent. The office admitted at the end of last year that it was suffering capital strain, as it decided to withdraw its with-profits bond from general circulation, and also made a substantial switch into fixed interest from equities and property.

What does this mean for policyholders? The question of strength goes beyond the basic issue of whether your life office is going to go bust. Such things do happen – the fate befell UK Provident Institution in 1986, only a couple of years after it had been topping some performance tables – but they are rare, and the industry is usually able to patch together some form of rescue. In the case of UKPI, Friends Provident took over the funds, and investors received returns which may not have been the industry leaders they once hoped, but were certainly adequate.

Strength is more important because it defines an office's freedom for manoeuvre. The more reserves an office holds, the freer its hand to invest in more speculative investments and, potentially, deliver a greater profit. If its free asset ratio is falling, it may need to bolster its strength by switching to fixed interest. Particularly with indications that the government is now "going for growth", this could be totally against the best long term aims of the fund managers.

Less adventurously, a strong office has more scope just to maintain bonuses during years of poor investment returns, even if it is not going in for aggressive countercyclical fund management.

One argument against "strong" offices is that they are in reality "mean" offices which hold on to reserves rather than paying them to policyholders.

But a look at the highest pay-outs achieved this year suggests that this is a fallacy. In lean periods, the strongest offices become the most generous.

Offices with high ratios include Pearl (48 per cent), General Accident (39 per cent), Commercial Union (38 per cent), AXA Equity & Law and Royal London (36 per cent). None of these has a traditional reputation for high endowment pay-outs.

However, in the latest *Money Management* survey of 25-year pay-outs, CU are in first place, with GA third, Royal London fourth and AXA Equity & Law ninth. Pearl, which aims to be competitive over shorter periods, is fourth over 10 years.

Other offices, feeling the strain, have felt obliged to cut pay-outs, leaving the stronger offices nearer the top of the pile. As life assurance would appear to be for the risk-averse only in any case, then, the latest guide to life office strength arises as an invaluable tool for any would-be investor.

John Authers

The Week Ahead

J. SAINSBURY, which earlier this year wrested the crown from Marks and Spencer as the UK's most profitable retailer, is likely to present an encouraging set of numbers when it reports its interim results on Wednesday. Analysts suggest that Sainsbury's will be able to stretch its profits by about 16 per cent to £380m.

Associated British Foods, reporting its preliminary full-year results on Monday, will highlight again the value of its purchase of British Sugar. With milling and baking profits under great pressure in spite of ABF's 30 per cent share of the bread market, sugar will have contributed about half of the group's profits. In spite of that profits are likely to be down sharply from £332m the year before to about £290 to £300m.

British Petroleum, the UK oil group, announces its third-quarter results on Thursday. Although its shares have outperformed the UK market since their fall following the halving of the dividend in August, analysts say it is too early for any of the strategy changes and cost-cutting measures announced then by BP to be reflected in the results.

Forecasts for net income on a replacement cost basis range from £100m to £170m, but most are between £100m and £120m, little changed from £107m before the £1bn of exceptional items in the second quarter of this year, or from £129m in the third quarter of last year.

Unilever will continue its stately progress on Friday. Third quarter profits are likely to be around £580m (£525m) for a nine-months total of £1.48bn (£1.39bn), despite adverse currency translation.

Wm Low, reporting full-year results on Thursday, is one supermarket chain which has lost its way. After the Scottish group warned a few months ago that its operating margins were "below expectations", analysts cut their forecast to about £20m pre-tax against £23.6m a year earlier.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Blystad‡	5.4	2½	4½	7.50	Abbot Hldgs
Cahill May Rob.	92	83	54	I£24.39	AAH Hldgs
Continuous Stat.‡	40*	38	34	6.80	Prontaprint
RHM	220*	274	175	782.2	Hanson
RHM	260*§§	274	251½	790.0	Tomkins
TVS Entertainment	25	21½	18¾†	15.50	Int Family Ent
Do. Pref.	45	42	38†	22.50	Int Family Ent

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30 pm prices 30/10/92. §§Shares & cash alternative. † Price at suspension.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Blenheim Group	Aug	37,300	(28,300)	27.8	(24.1)	9.0	(7.83)
Bolton Group	Apr	202	(250 L)	2.21	(-)	-	(-)
Bridport-Gundry	Jul	751	(785)	6.32	(6.05)	4.1	(4.1)
Bullers	Jun⸸	3,330 L	(4,770 L)	-	(-)	-	(-)
Govett Strategic Inv	Sept	9,230	(10,460)	7.36	(7.93)	6.75	(6.75)
GR (Holdings)	Jun	549	(1,620)	1.4	(6.5)	27.0	(2.15)
Int'l Media Comms	Apr	378	(715 L)	0.18	(-)	-	(-)
Levercrest	May	755 L	(364 L)	-	(-)	-	(-)
Majedie Inv	Sept	-	(-)	10.07	(9.81)	9.5	(9.0)
Morgan Gren Equity	Mar	922†	(-)	3.7	(-)	3.45	(-)
New Frontiers Dev Tst	Sept	1,490	(1,110)	0.84	(0.63)	0.25	(0.25)
Overseas Inv Tst	Sept	1,990	(1,870)	3.53	(3.3)	2.8	(2.5)
Pacific Horizon	Jul	97#	(29#)	0.24	(0.07)	0.14	(0.73)
Pressac Holdings	Jul	1,840	(1,820)	4.7	(5.8)	2.4	(2.4)
Wellcome	Aug	505,000	(402,900)	36.0	(29.3)	13.0	(10.0)
Wiggins Group	Mar	9,210 L	(2,540 L)	-	(-)	-	(-)
Wiltshire Brewery	Nov	1,390 L	(578 L)	-	(-)	-	(-)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Abtrust New Thai	Aug	129§	(163§)	-	(-)
Allied Radio	Sept◆	1,010 L	(945 L)	-	(-)
Automotive Prods	Jun	8,700	(3,000)	-	(-)
Babcock Int'l	Sept	16,600	(23,700)	1.0	(1.25)
Bertam Holdings	Jun	354	(418)	-	(-)
Blacks Leisure	Aug	580	(2,210)	0.75	(1.1)
Blystad Group	Jun	4,620 L	(579)	-	(-)
Bradford Property	Oct	11,800	(11,200)	2.4	(2.0)
Bridgend Group	Jun	295	(403)	0.2	(0.4)
British Syphon	Jun	3,020	(2,710)	2.0	(-)
Castle Mill	Jun	948 L	(913 L)	-	(-)
Colorgen	Jun♣	928	(378)	-	(-)
Conrad Continental	Jun	297 L	(398 L)	-	(-)
Crean (James)	Jun●	7,780	(7,070)	7.86	(7.86)
Cullens Holdings	Aug	16 L	(370)	-	(-)
Davenport Knitwear	Jun	374	(214)	-	(-)
Downiebrae Hldgs	Jun	152	(241)	-	(-)
Drayton Korea Tst	Sept	227	(-)	-	(-)
Geared Income Inv	Sept	868#	(797#)	3.25	(3.25)
Glenchewton	Jun	489 L	(528)	-	(-)
Goldsmiths Group	Aug	1,880 L	(2,090 L)	-	(1.5)
ICI	Sept◆	513,000	(703,000)	-	(-)
Jackson Group	Jun	386	(292 L)	-	(1.0)
Jarvis	Jun	1,720 L	(71)	-	(0.25)
Jupiter Tyndall	Jun	3,160	(455)	3.0	(2.0)
Landu Holdings	Jun	46	(174 L)	-	(-)
LEP Group	Jun	14,200 L	(1,900)	-	(-)
Marks & Spencer	Sept	257,100	(215,200)	2.2	(2.1)
Marshalls Universal	Jun	997	(753)	-	(-)
Midland Ind News	Jun	3,470	(3,150)	-	(-)
Moss Bros	Jul	354	(102)	1.5	(1.5)
Palma Group	Jul	405 L	(180 L)	-	(-)
Rowe Evans Inv	Jun	926	(443)	-	(-)
Secs Tst of Scotland	Sept	6,790	(6,790)	1.08	(1.08)
Shiloh	Oct	201	(380)	0.875	(0.875)
Telegraph	Sept◆	30,300	(27,500)	-	(-)
Usborne	Jun	833	(3,750 L)	0.2	(0.1)
Warnford Inv	Jun	3,670	(4,170)	2.75	(2.75)
Welpac	Jul	684 L	(248 L)	-	(-)
Wilton Group	Jun	753 L	(68)	-	(-)
Yorklyde	Jul	1,370	(1,060)	4.0	(4.0)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. ⸸ = This years figure for 18 months. † = Available revenue. ● = Figures quoted in Irish pounds & pence. # = Net revenue. ♣ = Figures quoted in US dollars. ◆ = Figures for nine months. § = Attributable revenue.

RIGHTS ISSUES

Haemocell is to raise £6.1m via a 1-for-4 rights issue at 150p.
Tomkins is to raise £653m via a one-for-two rights issue at 200p.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Ashley Group	Friday	0.75	1.2	0.375
Associated British Foods	Monday	4.5	-	8.5
Bellway	Thursday	4.0	7.0	4.0
British Empire Sec & Gen Tst	Friday	0.25	0.61	0.25
China & Eastern Inv	Tuesday	-	-	-
Cooper (Frederick)	Tuesday	1.5	2.5	1.5
Finsbury Growth Trust	Wednesday	9.0	20.0	0.9
Fleming Japanese Inv Tst	Thursday	-	1.0	-
Keystone Inv	Tuesday	4.0	10.0	5.0
Leeds Permanent Building Soc	Thursday	-	-	-
Low (Wm) & Co	Thursday	2.7	5.7	2.7
MMT Computing	Thursday	1.0	2.2	1.1
Scottish Metropolitan Prop	Tuesday	2.53	1.87	1.5
Scottish National Tst	Tuesday	-	-	-
Smart (J) & Co	Thursday	2.15	5.8	2.3
Stainless Metalcraft	Monday	-	-	-
TIP Europe	Tuesday	0.56	1.26	0.64
INTERIM DIVIDENDS				
BAT Industries	Wednesday⸸	11.6	11.2	14.6
BDA Holdings	Friday	-	-	-
Blackland Oil	Thursday	-	-	-
BP	Thursday⸸	4.2#	4.2†	4.2‡
Burtonwood Brewery	Thursday	0.7	3.75	-
First Ireland Inv Co	Thursday	-	1.18	-
German Smaller Co's Inv Tst	Tuesday	-	1.1	-
Holmes Protection	Monday	-	-	-
Jermyn Inv Co	Monday	-	1.5	-
Mezzanine Capital & Inc	Monday	-	-	-
Powerscreen Int'l	Tuesday	1.7	4.3	-
Prowting	Friday	1.7	3.3	-
Sainsbury (J)	Wednesday	2.4	6.35	-
Siddall (William)	Monday	1.5	-	-
Thames Water	Tuesday	6.4	12.8	-
Tie Rack	Monday	-	0.5	-
Unilever	Friday⸸	5.03	13.91	-
Westbury	Thursday	3.25	5.75	-
Whitbread Inv	Thursday	4.2	10.8	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ⸸ = Third quarter figures. ‡ = Fourth interim dividend. † = Third interim dividend. # = Second interim dividend.

Planning Your Pension

Tax-efficient ways of topping up income

MORE THAN 90 per cent of employees will retire on substantially less than a full pension, yet only one in ten takes positive steps to improve their position.

The most tax efficient method of topping up a lacklustre occupational pension is through the company's own additional voluntary contribution (AVC) scheme or through a free-standing AVC (FSAVC) available mainly from life offices.

AVCs and FSAVCs can only be taken out by employees who are members of an occupational scheme. If you are self employed, or an employee in non-pensionable employment, you can invest in a personal pension.

Traditionally, AVCs have appealed to those employees in the run-up to retirement, but FSAVCs in particular are now being sold to younger people. These employees should remember that normally AVC and FSAVC funds are locked away until retirement. If you want a tax efficient investment but need easier access to your money, you should look at Tessas and Peps.

AVCs and FSAVCs benefit from most of the tax breaks granted to occupational and personal pensions, namely full tax relief on contributions, tax free growth of the fund and, with some AVCs, tax free cash.

Employees can contribute up to 15 per cent of salary to their main pension and AVC combined. Since most schemes require employee contributions of about 5 per cent, this leaves plenty of scope for top-up provision. Employers cannot contribute to your AVC.

Some employees will be caught by the earnings cap, restricting main pension and AVC contributions to 15 per cent of a maximum salary of £75,000 for the current tax year. The cap applies to employees who joined a new occupational scheme set up after March 14 1989 and for new members who joined an existing scheme after June 1 1989.

Before considering an AVC, it is important to understand how a company pension works.

Under a typical final salary scheme your pension builds up at the rate of 1/60th of final salary for each year of service up to a maximum of 40/60ths or two-thirds final salary (subject to the cap, where applicable).

A minority of occupational schemes are run on a money purchase basis, where contributions are invested to provide a fund at retirement which is used to purchase an annuity. If you are in one of these schemes (known as contracted-out or contracted-in money purchase schemes) the provider will advise you the need for AVCs although you should always seek a second opinion from an independent source.

There are several reasons for a pension shortfall:

■ Career breaks due to periods of unemployment or time out to have children.

■ Pension transfers following a job change tend to reduce the value of the benefits.

■ Poor accrual rates – for example where a scheme builds up at the rate of 1/80th per annum rather than 1/60th – can leave a pension shortfall. Employees in the public sector should note that under their "80ths" scheme the tax free cash lump sum is in addition to the pension. This makes it equivalent to a private sector "60ths" scheme where the tax free cash is deducted before the pension is calculated.

■ Integrated schemes include the value of the state pension in the two-thirds maximum. If you want to receive the state pension, on top of your two-thirds final salary pension, you will need AVCs to achieve this.

■ Non-pensionable earnings: company schemes commonly base an employee's pension contributions and final pension on basic salary and do take into account overtime, bonuses, commission etc. If these form a significant proportion of your total remuneration you may need AVCs to bring your pension more in line with your earnings.

■ Early retirement: if your company pension scheme assumes a normal retirement age of 65, and you plan to leave early, you are likely to suffer an actuarial reduction in your pension for each year of service missed.

Company AVC schemes

By law, with a few minor exceptions, all occupational schemes must offer AVCs. This is usually the simplest and cheapest option. Tax relief is awarded immediately at the individual's highest rate while the administration is handled by the employer, who may also absorb any provider's charges involved.

Most company schemes – whether run on a final salary or money purchase basis – delegate the AVC arrangement to an insurance company or building society. Generally, the AVC provides a money purchase fund at retirement but some schemes, particularly in the public sector, provide "added years". Added years provide extra pension which, in the public sector is index linked.

Until April 1987, employees who wished to take out AVCs had to commit themselves to a fixed contribution for at least five years. Now, in theory at least, there are no restrictions. Moreover, in the past if you overfunded your scheme you lost your contributions but since 1989 excess contributions have been refunded, less a tax charge.

The benefits you can take under a company AVC scheme have changed over the past five years. Where AVC contributions began before April 6, 1987 the whole fund can be taken as tax free cash. This means that the pension from the main scheme is not reduced to provide the tax free lump sum. However, where contributions started after this date the whole of the accumulated fund must be used to purchase an annuity – there is no tax free cash.

FSAVCs

Free standing AVCs were introduced in October 1987 to provide a more flexible alternative to the in-house scheme. Most of the features for AVCs apply to the free standing variety but there are important differences. In particular since the contract is between the employee and the provider, the employee has to bear all the charges. Also, while basic tax relief is awarded at source, higher rate relief must be claimed through the end of year return.

On the plus side, however, is privacy. Unless you are contributing over £2,400 to your FSAVC, your employer is not involved. FSAVC providers reckon this is useful if you are quietly planning for early retirement.

But probably the most important advantage of FSAVCs over the in-house variety is investment scope. Traditionally employers have provided deposit-style building society accounts where the contributions build up tax free. Deposit-based AVCs are ideal for an employee with just a few years to go to retirement and seeking maximum security, but they are not so good for longer term investments.

Some of the big occupational schemes run a choice of AVCs – often a deposit account and a with-profits or unit-linked option – but for many employees this choice is only available through FSAVCs.

There are now about 100 providers of FSAVCs offering almost 250 funds on a with-profits, unitised-with-profits and unit-linked basis. The choice is complex and should not be made without the help of an independent pensions provider.

Under a with-profits fund, the life office provides a guaranteed minimum sum at retirement to which annual bonuses are added. These bonuses, which smooth out the investment performance, cannot be taken away once they have been awarded.

Under a unit-linked or unit trust AVC, the performance of contributions mirrors the performance of the underlying fund. Few of these funds offer any form of guarantee and performance can be volatile.

Over the past five years with-profits funds – and the more recent unitised with profits funds – have performed well against unit-linked and unit trust AVCs. But bear in mind that with profits bonuses will be cut back over the next few years while equity returns are unlikely to repeat the generally poor performance of the period since the 1987 crash.

Top with profits AVC performers in the latest survey from the FT's sister publication *Pensions Management* are Clerical Medical, Co-operative Insurance, and Prudential. Top unit-linked managed funds were run by National Mutual Life and Scottish Mutual.

FSAVC Funds have not been running for long enough to give meaningful performance results but projected figures, which show the impact of charges on a fund's growth, will reveal that on projected unit linked results, fee charging Professional Life does well while Equitable Life, Rothschild Asset Management and Skandia Life also offer consistently good returns.

Finally, if you are considering taking out a FSAVC, check for flexibility just as you would under a portable pension. In theory, you can take the same FSAVC from job to job and a well-designed plan will allow you to to switch from FSAVC to personal pension to cover periods when you are in non-pensionable employment.

If you are in doubt about your long term employment plans follow the golden rule of flexibility and pay single contributions rather than commit yourself to a regular plan.

Debbie Harrison

Dogs begin to bark

WATCHDOGS closed in on the secondhand endowment market place this week.

The market for unmatured endowment policies has *boomed in the last three years*. Making a market in these complicated products is a new discipline requiring complex actuarial calculations, and does not fit easily into any regulatory category. It was in danger of slipping through a loophole.

Have the regulators found the right balance? Fimbra, which regulates independent advisers and brokers, now insists that when a secondhand policy with more than five years to run before maturity is sold, any projections of how it will perform in future must conform to the growth rates prescribed by Lautro, the life assurance regulator.

This puts projections for secondhand policies on the same footing as projections for policies at the beginning of their term, which makes sense. However, Lautro rates are not known for their subtlety – they allow two different projections, on annual growth rates of 7 per cent and 10.5 per cent.

The machinations of a with-profits policy tend to be complex which these projections could miss. Terminal bonuses are under great pressure, while reversionary bonuses could also be under threat.

It therefore makes sense to quote potential maturity values given a range of assumptions on future bonuses – for example that they are maintained at their current level, or drop by 10 per cent, or drop by 50 per cent.

What some market makers now seem likely to do is abandon quoting any projections at all. Instead, they will quote a price and provide background information on the bonuses paid on the policy to date.

The ruling will save investors from being misled, but may divert them from being given any useful guidance.

John Authers

FINANCE AND THE FAMILY

Ray of hope for home owners

***John Authers** looks at the options for dealing with mortgage arrears*

A FAINT light for home-owners glimmered this week from the Lord Chancellor's office – the number of repossession proceedings reaching court has declined slightly in the last quarter.

The rash of job losses over the same three months suggest that this has little to do with any improvement in the economy. Rather, lenders are exercising more discretion before opting for the last resort, repossession.

Lenders are prepared to accept that what is an acceptable lowered mortgage payment today may not have been acceptable two years ago, when repossessions began to multiply.

However, the Lord Chancellor's figures do not include those who voluntarily surrender their keys and leave the house. This move never made any sense, as you remain liable for mortgage repayments on the house whether or not you happen to occupy it. Therefore, those in trouble with arrears may as well continue enjoying their house until the last possible moment.

Many more people may now be in arrears, but at least the options facing them are much broader than they used to be. This is particularly the case if you do not have an endowment mortgage.

■ If you have a repayment mortgage, you can lengthen the term, which may not have a great effect on outgoings, or switch to repaying interest only.

■ Interest can also be deferred for a period, which makes sense if your shortfall in income is likely to be temporary.

■ If there has been a build-up of arrears, some of the outstanding interest can be capitalised, so you then resume paying interest on a higher amount.

■ Those stuck with endowment mortgages could as a last resort sell the endowment to a marketmaker, which will be easier the longer the policy has been in business, and then make repayments on a capital repayment, or even interest-only basis.

All of these measures can be executed more smoothly if you stay in regular contact with the lender. Borrowers are often nervous to do this, but repossession is such a severe problem for building societies now that they will be quite as keen as you are to avoid resorting to taking control of the property.

Most of the big lenders have organised free debt counselling for borrowers in trouble, and it is foolish not to ask about this possibility.

Then there are the mortgage rescue schemes. Most of these have been introduced in the last year, and none should be regarded as an easy option. They typically involve selling the property back to the lender, or to a housing association. You would then become a tenant (or perhaps part-owner part-tenant) and pay a rent, for which housing benefit might be available.

These schemes may not be available in many cases, and the Council of Mortgage Lenders suggests they should only be consided by families who have suffered a severe reduction in income and have no entitlement to income support. But they are better than repossession.

Those still nervous about talking to their lender could look at the following, recommended by the Council of Mortgage Lenders:

■ *SHAC (the London Housing Aid Centre) 189a Old Brompton Road, London SW5 0AR, (tel: 071-373-7276) offers advice on housing problems in the Greater London area.*

■ *National Debtline (021-359-8501) offers confidential advice.*

■ *The Child Poverty Action Group, 1-5 Bath Street, London EC1(071-253-3406) offers help on welfare benefits.*

■ *Freeline Social Security (0800-666555) may be able to help with queries on your precise income support and housing benefit entitlements.*

Directors' Transactions

Asda directors have been buying small numbers of shares consistently over the past year. The latest transaction by Patrick Gillam, the chairman, results in his holdings being doubled.

At Ewart, the Belfast property company, there was an attempt to oust three directors; from the board; this failed, with directors showing their confidence with a stock purchase.

Another Northern Irish company, McLaughlin & Harvey has, along with most of the construction industry, seen a sharp fall in its share price. Charles Yuill, a non-executive director has purchased stock for the third time in five months.

Rhino Group, previously known as JMD, is being run by the duo who were in charge of the video hire company, Cityvision. They are using it to build a national chain of home entertainment stores. The shares were acquired in the placing and open offer.

Apologies to CrestaCare, where last week's share purchase was incorrectly noted as a sale.

Angus MacDonald,
Directus Ltd.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Allied Leisure	Hotl	100,000	24	1
Bemrose	Pack	20,000	41	1
Border TV	Med	10,000	11	1
Lasmo	O&G	9,999	17	1
Rhino Group	Misc	800,000	100	1
PURCHASES				
Anglia TV	Med	10,000	16	2
ASDA Group	*FdRe*	*50,000*	*20*	1
Berry Birch & Noble	InsB	25,000	23	1
British Aerospace	EngA	25,000	35	1
Edinburgh IT	InTr	9,350	21	2
Ewart	Prop	125,000	60	2
Friendly Hotels Prf	Hotl	100,000	66	1
Kleinwort Overs IT	InTr	35,000	55	1
McLaughlin & Harvey	C&C	110,000	45	1
Olim Conv IT	InTr	37,500	22	1
Rhino Group	Misc	4,200,000	535	4
Wholesale Fittings	Elcs	50,000	77	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 19-23 October 1992.

Source: Directus Ltd, Edinburgh

Laurentian policies under Lautro's eye

***Scheherazade Daneshkhu** on the probe into whole-of-life and mortgage endowment plans*

POLICIES sold by Laurentian Life, the life assurance company, have fallen under the scrutiny of the Life Assurance and Unit Trust Regulatory Organisation (Lautro).


Barry Sherlock of Lautro

Lautro has sent in a firm of consulting actuaries – Tillinghast – to review a sample of 3,000 policies on suspicion that some people may have been sold unsuitable policies.

The problem centres on "factfinds" which are client questionnaires drawn by the agent. The adviser gathers information about the client's financial circumstances to gauge his investment needs and enters this information on the factfind. He is then in a position to recommend the most suitable type of product for the client.

The review at Laurentian by Tillinghast followed a preliminary investigation of several hundred policies by Lautro earlier in the year, which raised doubts that best advice had been given to customers.

Recent Lautro reviews of several insurance companies, including Scottish Widows, have found that the amount of information on the factfind has been insufficient to justify any kind of advice being given.

Lautro has been active in monitoring the techniques of tied agents, following concern in the industry that unsuitable long-term policies are being recommended for the rich commission that is earned on their sale. An inadequate factfind would suggest that the adviser was more interested in selling products, such as whole-of-life policies, to earn commission than in finding out what his client's needs were.

Paul Stott, head of communications at Laurentian Financial Group, said that the only policies under investigation are whole-of-life and mortgage endowment policies. Lautro is concerned that these may have been sold to young people with no dependants.

Laurentian has two main sales outlets; Laurentian Milldon, a wholly-owned member of the Laurentian group, with about 550 salesmen, and Laurentian Financial Advisers. Laurentian Milldon had been the company's only tied agent outlet until earlier this year, when Laurentian's direct sales force set up Laurentian Financial Advisers as a separate company within the group.

Laurentian says that if the review, which is due to be completed by the end of November, shows that any clients have been wrongly advised, it will offer an alternative policy or compensation in the form of a refund of premiums. Lautro says that in cases of mis-selling, compensation is not necessarily the answer.

"We want the investor to have the right type of policy, said Mike Abrahams, chief enforcement officer at Lautro. He added:"That need not mean compensation." It is up to the company and the individual to reach agreement in cases of mis-selling but if an impasse is reached, the investor can take his case to the Insurance Ombudsman.

Paul Stott said it would be highly unlikely that the company would be asked to check any more policies. However, Mike Abrahams said: "Where we have cases in which doubts have been raised about best advice, we ask that a full review be taken by independent actuaries. Depending on the results of the review, we may ask for a full review of 100 per cent of the business during the period concerned."

Policies sold before 1988 are exempt from Lautro's scrutiny since that is the year when the Financial Services Act, which established the self-regulatory authorities, was implemented.

Barry Sherlock, chairman of Lautro, said in Lautro's recently published annual report that more cases than ever before were going through the disciplinary process. Lautro has also been using its power to fine, which was granted to it last year.

The tighter Lautro measures on the selection, training and supervision of salespeople have been biting, with the number of tied agents falling by 14,000 in the year to June 1992. There has been a further fall of 8,000 since then. Kit Jebens, chief executive of Lautro, said the decrease was also a reflection of the recession.

FINANCE AND THE FAMILY

Diary of a Private Investor/**Kevin Goldstein-Jackson**

A step ahead of the trackers

SHARE PICKING while watching an index can be profitable. As a private investor, I welcome the introduction, earlier this month, of two new FT-SE indices.

The FT-SE mid 250 Index comprises, as its name suggests, 250 large to medium size UK companies which rank, in market capitalisation terms, below the 100 companies included in the longer established FT-SE 100 Index. The new FT-SE 350 index combines the companies in both indices.

In recent years there has been a rapid growth in "tracker funds" where some unit trusts and other institutional fund managers have "tracked" an index, buying shares in companies that are included in that index. If the market suddenly falls, at least tracker fund managers can tell their clients that their performance has not been very much worse than the index.

In the US, tracker funds account for more than 25 per cent of institutional fund investment and in the UK an increasing number of pension funds have at least part of their assets in funds which track an index.

This has meant, for example, that shares in companies that are removed from the FT-SE 100 Index tend to suffer a further drop in their share price as tracker fund managers sell them. Similarly, there is sometimes a useful "bounce" in the price of shares in companies which are promoted to the index.

For example, in October 1990 Dalgety's share price increased by 6p when it was announced that it was being included in the FT-SE 100 to replace the then-suspended Polly Peck; while Burton Group fell 6p on being demoted.

Companies are removed from the FT-SE 100 Index when their market capitalisation has fallen by so much that it appears they are no longer likely to be regarded as one of the largest UK companies. Others are promoted as their share prices rise, increasing their market capitalisation to the level of acceptance within that index.

Some companies that are removed from the index never recover – like British and Commonwealth and Maxwell Communications. Others manage, eventually, to bounce back into the index or at least remain profitable and well regarded.

The current constituents of the FT-SE 100 Index range from Glaxo in first position with a market capitalisation of more than £23bn to BET at the bottom, with a capitalisation of more than £900m. It takes a substantial number of shares to change hands in companies of this size for the share price to rise or fall sharply.

But look at the lower reaches of the new FT-SE mid 250 index. While S G Warburg is in first position, with a market capitalisation of over £1bn and likely to be promoted into the FT-SE 100 Index, there are a number of companies at the bottom end, like AMEC, Simon Engineering, Laura Ashley and Leigh Interests, which have market capitalisations of less than £150m. It would not take huge amounts of buying and selling to affect their share price.

Even more interesting is the reserve list of companies which are being monitored by those responsible for compiling the index with a view to including them should any of the existing members have to be removed.

It seems to me that this reserve list provides opportunities for profit by the astute private investor. If a company on the reserve list is promoted to the index it ought to attract the attention of tracker fund managers who will *have* to buy shares in it to match the index. Inclusion in the index also brings extra attention to the company which ought also to be initially helpful to the company's share price.

The organisers of the FT-SE mid 250 index stated, after their quarterly review meeting on September 9, that the following companies were on the reserve list for possible future inclusion in the index: Betterware, EIS Group, Cray Electronic, Waddington, Wagon Industrial Holdings, Temple Bar Investment Trust, Daejan Holdings, TT Group, Renishaw, Scholl, American Trust and Davis Service Group.

Not all of these companies will necessarily make the index, but I will certainly be keeping an eye on them and following the details of their market capitalisations as listed on the share price pages of the *Financial Times*. I am hoping to spot the companies next in line for promotion in the hope that if they make the index their share price will rise by a useful percentage.

Initially, such share price rises may not be too great as there are not many tracker funds following the FT-SE mid 250 index. But as the number of such funds grows, so the opportunities of making a profit increase.

The existence of this new index ought also to bring more attention to companies already in it, such as Pentland Group and Photo-Me, in which my personal pension scheme already has holdings and harbours hopes that they will progress.

However, it should be remembered that not all companies included in an index may stay there. A company could be badly managed and initially have its share price sustained by a small number of fund managers following an index, rather than looking too closely at the underlying value of the company. At least the FT-SE mid 250 index focuses more attention on some companies where growth may well out-perform the average. But why buy shares in all 250 companies when you can pick and choose the best. A tracker fund will have the excellent performance of a few considerably diluted by the poorer performance of the rest?

Jim Slater's share guide

***Philip Coggan** on an intriguing book from a former stock market guru*

EVERY private investor would like to know how to pick profitable shares. Americans lap up tomes with titles like *How to Get Rich without Trying*; in Britain, books on the subject are comparatively rare.

So a book* by Jim Slater, one time stock market guru, is bound to intrigue any private investor with a good memory.

The business media have a tendency to build up heroes who have the "Midas touch". In the 1980s, it was retailing stars like Sir Terence Conran and George Davies; back in the late 1960s, the heroes were financial wheeler-dealers like Slater.

Many of these heroes fall from grace and such is the case with Slater. He was once a finance director of Leyland Motor and occasional newspaper share tipster. He later formed the conglomerate Slater Walker which went spectacularly bust in the mid-1970s. In the ensuing crisis, he became, in his own description, "a minus millionaire". So anyone who reads his book for profit is entitled to ask one question: if he is so smart, how come he made such a mess of things? And there is another angle. Readers might not recall that, back in the 1970s, Slater was prosecuted under section 54 of the Companies Act 1948, which prohibited companies from financing purchases of their own shares. After acquittal by Guildhall magistrates, the DTI appealed and Slater was eventually convicted on 15 charges, and fined £15 for each.

The publicity for the book refers only to Slater Walker as the "legendary financial conglomerate" and Slater himself skates over his history in the text. There are two references to Slater Walker, both anodyne. There is also one paragraph which begins "I managed to anticipate the two bear markets of 1973-74 and 1987." A few people might raise their eyebrows at the first claim.

Slater has rebounded. By the late 1980s, he was once again being ranked among Britain's richest people. His views on investing must be worth consideration.

And provided the reader regards the book with a cautious eye, there is plenty of useful material. Although Slater deals with turnround situations and shells, the main focus is on growth stocks.

He cites 11 key criteria for selecting growth stocks which are worth repeating:

- a positive growth rate in earnings per share in at least four of the last five years
- a low price earnings ratio relative to the growth rate
- the chairman's statement must be optimistic
- strong liquidity, low borrowings and cash flow
- competitive advantage
- something new
- small market capitalisation
- high relative strength of the shares compared with the market
- a dividend yield
- a reasonable asset position
- management should have a significant shareholding

One key ratio, Slater says, is to divide the price-earnings multiple by the estimated growth rate for the earnings per share. So if the p/e is 15, and the expected eps growth rate is 20 per cent, then the ratio is 0.75. Slater dubs this ratio the PEG (price earnings growth factor) and says you should look for shares where the PEG is not more than 0.75 and preferably under 0.66.

He illustrates the criteria with examples and dissects a few balance sheets to help investors spot companies with debt, or cashflow, difficulties.

In a recession, finding stocks with strong growth rates, healthy finances and low share prices, is a difficult proposition. It will require research.

Even then, you could get it wrong. Referring to Body Shop Slater says that in July 1992, with the shares at 278p, the prospective PEG was 0.85, "relatively attractive for a leading supergrowth share." The shares are now 179p.

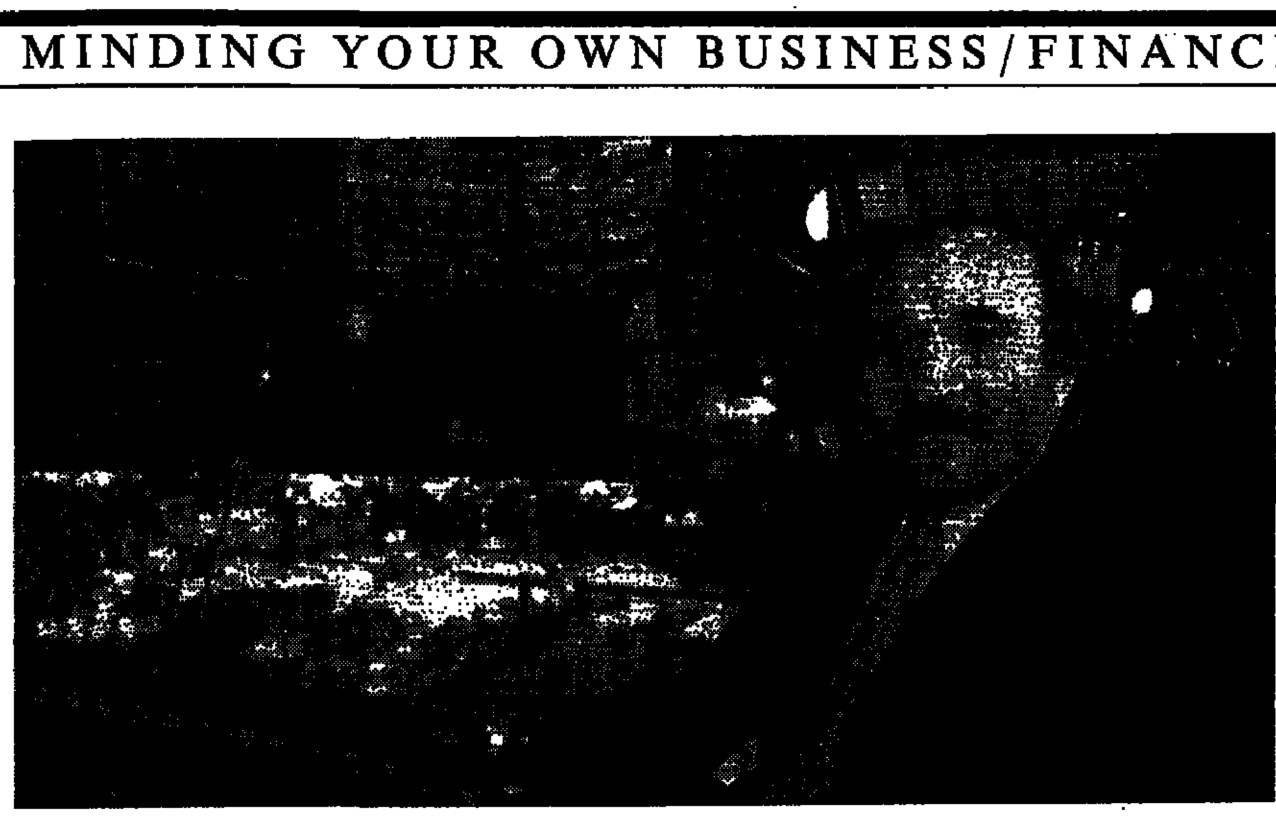
So the book is not a surefire guide to riches, any more than buying shares in Slater Walker was. On the other hand, it is lucid, contains plenty of detailed analysis and general advice for those who want to invest in shares. And it fills a gap in the market.

* *The Zulu Principle: Making Extraordinary Profits from Ordinary Shares, published by Orion Books, £18.99.*

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Scarborough BS	First Post	0800 590578	Instant	£250	9.00%	Yly
Bristol & West BS	Balmoral A/C	0800 100117	Instant	£2,000	9.65%	Yly
Scarborough BS	First Post Plus	0800 590578	Instant	£25,000	10.10%	Yly
				£50,000	10.15%	Yly
Teachers BS	Minster 90	0800 378669	90 Day	£1,000	8.90%	Yly
Stroud & Swindon BS	High Rate Bond	0453 757011	1 Year	£2,000	10.0%#	Yly
Chelsea BS	Premier V	0800 272505	31.1.95	£10,000	10.75♠	Yly
TESSAs (Tax Free)						
Julian Hodge Bank		0222 220800	5 Year	£20	11.00%	Yly
Allied Trust Bank		071 626 0879	5 Year	£9,000	10.58%	Yly
West Bromwich BS		021 525 7070	5 Year	£150	10.50%	Yly
National Counties BS		0372 742211	5 Year	£3,000	10.50%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
UDT	Capital Plus	0734 580411	Instant	£1,000	7.25%	Qly
Caledonian Bank	HICA	031 556 8235	Instant	£1	7.50%	Yly
Chelsea BS	Classic Postal	0242 521391	Instant	£10,000	8.60%	Yly
				£25,000	9.10%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	Intl Gross	0481 715735	Instant	£500	7.75%	Yly
Halifax Int (Jersey) Ltd	Deposit Intl	0534 59840	Instant	£10,000	9.00%	Yly
Yorkshire Guernsey	Key Extra	0481 719898	180 Day	£25,000	9.40%	Yly
Bristol & West Intl Ltd	Intl Premier	0481 7208096	Month♣	£5,000	9.05%	Yly
GUARANTEED INCOME BONDS (Net)						
Alico FN		081 680 7153	1 Year	£50,000	6.05%	Yly
Prosperity FN		0800 521546	2 Year	£25,000	5.55%	Yly
Liberty Life FN		081 440 8210	3 Year	£50,000	7.35%	Yly
Financial Assurance FN		081 367 6000	4 Year	£5,000	6.25%	Yly
Reliance Mutual FN		0892 510033	5 Year	£25,000	6.75%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	7.25%	Yly
(8.00% wef 5.11.92)	Income Bonds		3 Month	£2,000	9.00%	Mly
	Capital Bonds F		5 Year	£100	9.00%F	OM
	First Option Bond		12 Mths	£1,000	8.67%F	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	39th Issue		5 Year	£100	6.75%F	OM
	5th Index Linked		5 Year	£25	4.50% +Infln	OM
	Childrens Bond D		5 Year	£25	9.10%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. # = Maximum investment £25,000, rate fixed only until 1.1.93. ♠ = Rate fixed only until 1.2.93. ♣ = After 6 month qualifying period. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.



On top of the world: Benigo Martinez at Le Monde, one of his restaurants in Cardiff

Spanish recipe for recession-proof success

***Colin Pressdee** on a restaurateur from humble beginnings*

A BOTTLE of Taittinger costs just £19.95 in a most stylish restaurant in Wales' capital city. The list of over 120 Riojas, vintage Vega Sicilia and vintage ports shows the Iberian connection. The wine cellar contains over 25,000 bottles, and there are 200 cases of *en primeur* claret in Bordeaux. This is a very serious business.

The menu offers a wide choice of fish which regularly includes sea bass, oysters, lobster, turbot, parrot fish, baramundi and cod. Prices start at £3 for a simple meal of a burger and jacket potato and rise to about £15 for baked sea bass.

Here shoppers may sit alongside the local tycoons, and enjoy the food and atmosphere. Le Monde, in St Mary's Street Cardiff, owned and run by Benigo Martinez, is a smooth, sophisticated and highly successful operation.

Martinez, who has just turned 50, is the son of a fisherman from the village of Carino in Galicia in north west Spain. His little empire includes a three-restaurant complex in Cardiff, with Champers and La Brasserie below Le Monde, La Braseria, 40 miles away in Swansea and the recently revamped Caesar's Arms at Creigiau, north of Cardiff.

Last year turnover was around £4m, a far cry from the £150-a-week the Blue Anchor pub took before Martinez turned it into Casa Martinez in 1974. He employs over 100 and is looking for just one thing in the recession – expansion.

In 1964 Benigo Martinez (known to all as Martin), came to Cardiff to work in the Model Inn, a pub-steak house.

His first venture in 1970 was a late night drinks bar, the Club Incognito, which catered to late night revellers for over a decade. He started expanding in 1974 when he converted the old Blue Anchor into a wine bar, Casa Martinez. A little later he revamped the adjacent pub, the Royal Oak, into a similar theme bar called Matisse. Both were late night disco drinkeries, financed by a bank loan of a little over £20,000, and takings approached £400,000 after two years.

As other cheaper dives entered the late-drinks trade, Martinez identified a market niche left open when the sherry-and-steak Berni Inns fell from fashion. In 1981 Casa Martinez was inexpensively transformed into a Spanish style bodega called Champers.

Champers is crammed with paraphernalia from Spanish villages and has the warm atmosphere of a Mediterranean taverna, filled with the aroma of food cooked on an open grill. Steaks are served sizzling on an iron slab, with relish and jacket potato. The Spanish wines are plentiful and cheap.

Martinez piles the many bargains on the bar, including champagne, at prices below the retail in nearby wine shops.

It took almost a year to popularise the steak theme, and two years to reach again the turnover the clubs had enjoyed. By 1983 the style was established and popular and Matisse became La Brasserie, with French decor and wines.

In the 1980s Martinez noticed a growing demand for fish. The success of Harry Ramsden's fish and chip empire, inspired a calculated gamble to introduce the dish to a stylish "all black" restaurant with a nightclub atmosphere, Le Monde, which cost more than £100,000.

The success led to a wider range of fish and cooking styles: seafoods grilled on a large *parilla* became familiar large fish baked entirely buried in sea salt, a speciality of his home village. These dishes brought a theatrical style of presentation.

In spite of the surge in the number of customers, Martinez has held prices at a modest level. A fat sirloin sells for under a £10, most fish costs £6-£8 and house wine, from Maufoux, is only £6.95 a bottle. Over 100 dozen are sold weekly, and 350 cases of champagne are slurped annually.

Although turnover soared mark-ups remained modest, particularly on wine, averaging 48 per cent. Few restaurants would survive on such slim margins – most aim for 60-65 per cent. The prices and efficient service means seats are turned over two and a half times in an evening. This rises to almost four on a busy weekend. At an average of £20-£25 a head the seat yield is healthy.

The high turnover means that the relative level of fixed costs is low. The highly professional level of service, brings a wage bill of over £20,000 a week but this amounts to only 25 per cent of turnover. Fixed overheads are 12 per cent, leaving a healthy bottom line of around 10 per cent. The level of profits has encouraged the group to expand while so many others are winding down.

In 1986, Martinez snapped up a run-down pub in a prime spot on the main approach route to Swansea, the second-largest city in Wales and turned it into La Braseria following the same formula.

Three years ago the group redeveloped Le Monde at a cost of more than £500,000. The all black decor seems to hold some strange attraction for the capital city of the rugby fraternity. It is rarely other than packed.

The latest venture is Caesar's Arms in the tiny and remote village of Creigiau. The previous owners struggled on takings of around £1,500 a week. Martinez rebuilt the pub at a cost of £100,000 adding a heated terrace. The rural formula, with al fresco dining is drawing a clientele from the wealthiest outposts of Cardiff and the villages around it.

Martinez says he has provided what the market has dictated. Perhaps he never believed he would be as up-market as Le Monde. and Caesar's where weekly he sells several hundred oysters, over 100 lobsters and over ten stone of sea bass and dover sole.

Martinez runs a tight ship with regular stock controls. He could step into any of the jobs at any of the restaurants and believes that personally overseeing the operation is a vital ingredient to its success. His working week is rarely less than 80 hours.

■ *Casa Martinez, 62, St Mary Street Cardiff CF1 2AT;0222-398036; Le Monde 0222-387376; Champers, 0222-373363*

As They Say In Europe

Germany's magic debt mountain

James Morgan asks how 17m industrious Prussians and Saxons could have built a national debt of $15,500 a head

IT IS unfortunate that the economic history of the late German Democratic Republic is something of a minority interest. As a result the east German origin of many of our current discontents is not fully appreciated. Some newspapers went as far as carrying Chancellor Kohl's remarks about debts last Monday at his party conference in Düsseldorf but none reeled in astonishment at the disclosure that east German debt would reach DM400bn – or $265bn.

How 17m industrious Prussians and Saxons can create liabilities of this magnitude is one of the great untold stories of our time. By comparison, Latin Americans of the 1970s and Anglo-Saxons of the 1980s seem mere pygmies of the debt creation industry. One of the causes is to be found in the casual approach of the West towards East Germany and the astonishing manner in which nonsense was accepted as truth.

It started in 1976 when the World Bank misguidedly attempted to create comparable national income figures for every country in the world. Through a series of heroic assumptions about production and purchasing power, East Germany was given a figure for income per head which put it above Britain.

Realising the absurdity of this result, the Bank never indulged in the same exercise again. But the damage had been done. Thus in 1977, a book appeared, *Socialism with a German Face*, by Jonathan Steele of *The Guardian*. It was partly inspired by the World Bank's statistical error and failed to reflect fully the visual and olfactory evidence of the bankrupt slum that was East Germany.

Steele concluded: "The emergence of the GDR as a viable state against all odds ought to be an intellectual warning that from the most inauspicious beginnings worthwhile results can come. Socialism in the GDR is as much a part of the socialist tradition as any of its other national manifestations elsewhere in the world." Which is hard luck on socialism.

So there was a certain predisposition to believe that the GDR had pulled off a sort of mirror image of the the western *Wirtscahftswunder*. Having gained this reputation, East Germany could not only borrow abroad but could also falsify its statistics unchallenged even though they were rubbish. Had they been true, the GDR would have appeared as some kind of spruced-up Switzerland by the time it collapsed in 1989.

Shortly after that, I spent a fascinating couple of hours with Professor Hilmar Kruger of the faculty of the business management of Humboldt University in (East) Berlin. He told me how productivity figures had been rigged in the super new robot-run plants in the GDR. In reality these were expensive investments that never paid off. But the statistics showed huge profits. This was achieved by counting, into the production of the robots, the assumed output of the employees who were displaced and found work elsewhere.

Once false revenues had been magically created they were then snatched from the enterprise by a measure called "the centralisation of profit." That meant all industrial profits were remitted to the government which in turn used them to balance what was a fantastically unbalanced budget.

This of course left enterprises without funds, so that shortage was made up by loans from the Staatsbank der DDR, the East German central bank. As a result, every East German enterprise bore a crippling level of debt - DM130bn at unification.

When the Treuhandanstalt, or privatisation agency, came to sell off the enterprises that debt could not be written off and was assumed by the Treuhand. Unpaid interest piles up and it will almost double to DM250bn by the end of 1994.

Many of the problems could have been dealt with had East Germany been better understood in 1990. But instead a conspiracy of silence had wrought its fearful work.

The West German government refused to criticise. Bankers who knew what was going on kept their mouths shut for fear of rocking the *Ostpolitik* boat. The West German public took more interest in the economy of Nicaragua than that of East Germany. And today we are all paying the penalty.

But should we? The old East German debts were owed to the Staatsbank der DDR. Therefore they were the Staatsbank's assets. Now, guess who took over those assets at the time of unification. That's right – Treuhand. In other words Treuhand owes the money to itself. I am sure there is an explanation as to why taxes have to be raised in Germany to pay off the debt, but I know I won't understand it. Nor do I understand why German, and, *pari passu*, European, monetary and fiscal policy has to be torn apart by so-called debts that result from East German fiscal juggling and statistical fraud.

■ *James Morgan is diplomatic correspondent of the BBC World Service.*

Age-old question: in or out of Serps?

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

EARLIER this year the *Financial Times* paper repeated what I have heard before, namely that women over 40 and men over 45 are better off opting back into Serps. I took this up with my financial advisers but they say the *FT* is working from the wrong premise and that the ages are 46 and 53 for women and men respectively.

■ The article was merely quoting the opinion of one actuary in one insurance company on the optimum ages for contracting-out. As your adviser has explained there are differences of view based on the method used.

There are other considerations such as the nature of your own arrangement. Some schemes provide better benefits than others. There is also a political risk in Serps. It has been cut once and the escalating cost to Government of providing future Serps benefits without corresponding increase in revenue (it is pay as you go) could well lead to further cut backs. If you are already in a good scheme of your own there is a strong case for keeping it going. You are building up a fund of real money which many experts believe will provide a more secure guarantee of future income than paper promises from the state which can be altered by any future Government in a tight financial corner.

Tax on life policies

I UNDERSTAND that life policies retained by the original policyholder to maturity are exempt from CGT by virtue of the Taxation of Chargeable Gains Act 1992.

However, on the recent maturity of two Scottish Widows life policies taken out by me in 1969 and 1972, the company issued to me copies of a certificate of chargeable event which they had sent to the Inland Revenue, showing an amount of chargeable gain in each case. Does the issue of such a certificate mean that they are chargeable to CGT?

The two policies were paid up by me in 1977. Would this make them liable to CGT.

■ The gains shown on the certificates are chargeable to income tax, not CGT, under sections 547 and 550 of the Income and Corporation Taxes Act 1988. However, the rate of tax cannot exceed 15 per cent; it may effectively be 12½ per cent (on part or all of the gains) if you were born before April 6 1927. If the gains plus the rest of your income of 1991-92 do not take you beyond the basic rate limit (and you were born after April 5 1927), there will be no tax to pay on the gains themselves.

It was the fact that you made the policies paid-up within their first ten years which brought the maturity proceeds into the income tax net, in accordance with the rules now reenacted in section 540(1)(b)(i) of the Income and Corporation Taxes Act 1988.

Furthermore, although the gains do not attract CGT in themselves, their existence could increase the potential CGT Liability on any chargeable gains in excess of the exempt amount (£,5500), but we gather that you did not in fact have any gains liable to CGT in 1991-92.

■ *This reply was given by Barry Stillerman of Stoy Hayward*

Charity at one remove

I PROPOSE, in certain circumstances to leave a large proportion of my estate to my brother, in trust for his use and enjoyment during his lifetime, and eventually on his death to be divided among several nominated charities. In view of their ultimate destination, will these funds escape inheritance tax (a) on my estate and (b) on my brother's?

■ If you leave any funds to your brother on your death, then this will be charged to inheritance tax subject to the available nil rate band of up to £150,000.

Similarly if you leave funds in trusts for your brother, an inheritance tax charge would arise. It would be normal to set out the terms of the trust in your will so that your brother may enjoy the income during his lifetime.

You may wish to ensure that the trust enables the trustees to advance capital to him at their discretion. In this type of "Life interest" trust you need to carefully consider who will be the trustees because if your brother is a trustee, this could lead to all the capital being appointed to him.

The trust deed should state that on your brother's death, the funds would be left to nominated charities and this event would be free of inheritance tax.

■ *This reply was given by Barry Stillerman of Stoy Hayward*

Pensions allowances

MY WIFE and I recently surrendered a single pension policy held in our joint names. The difference between the premium and the surrender value is several thousand pounds, will my wife's half affect her over 65 age allowance?

Without her half of the profits her income does not exceed her "personal allowance" limit for the age allowance. Therefore, although she would not be liable to pay tax on her half of the profit directly would she indirectly have to pay tax on whatever position exceeds the age allowance limit?

■ Yes: the whole of your wife's share of the chargeable gain is taken into account in calculating her age-allowance clawback, so there may be an effective 12½ per cent tax charge. You will be eligible for topslicing relief in calculating any 15 per cent higher rate liability, but there is no topslicing for age allowance clawback.

If you provided the funds to pay the premium, it may be that section 547(1)(a) or section 674A of the Income and Corporation Taxes Act 1988 requires the whole of the chargeable gain to be treated as your own income.

He also waits who only stands and serves . . .

Jancis Robinson goes in search of that elusive animal, the prefect wine waiter

IN THE old days the perfect wine waiter was just like the stereotype wine waiter – francocentric, heavily accented, impenetrably aloof, his role to reduce customers to Bateman cartoon fodder with the drop of an eyelid. Except that the best did actually know something about wine.

But just as wines have been changing, so have restaurants and their customers, and there is now an entirely new breed of wine waiter.

These guys, just for starters, may not even be guys. But whether male or female, will almost invariably be young, enthusiastic, knowledgeable in a truly international sense, and completely, almost unsettlingly, unfettered by tradition. Fishcakes with Cabernet? You got it. Cloudy Bay with chilli? You got it. Etcetera.

So what does make the perfect wine waiter nowadays? He, or she, has to combine a pleasant modesty with flexibility. He has to satisfy the everyday, non-wine-fanatic customer by reliably recommending good buys at the cheaper end of the list. But he also has to be able to hold his own with the increasing number of wine maniacs who now roam the world and enjoy torturing sommeliers with tricky questions and absurd boasts.

He has to satisfy his employer by generating sufficient profit from the declining number of bottles ordered, especially at lunchtime. Finally, so that he can be fielded at any time for the role of wine waiter in a sitcom, he should have a strong French accent and an Inspector Clouzot moustache.

I know the very chap. Gérard Basset, posing as a Frenchman working (extremely hard) at Hampshire's famous country house hotel, Chewton Glen. So perfect is he that he has just, very nearly, been voted the Best Sommelier in the World.

At what are, effectively, the sommelier Olympics, held every three years, Gérard Basset was beaten into second place by one point, by talented Philippe Faure-Brac of Paris. Faure-Brac is very French, and is expected to make as much of his new title as his countryman who won it back in 1983 and has virtually built a business empire on it.

But Basset surely cannot be French. Quite apart from his natural modesty and caricature French accent, there is what he says. For example: "England is fantastic – a far better place to learn about wine than France. The more I learn, the more I realise I don't know. A lot of sommeliers forget to respect the customer.

"The only customers I'm not overkeen on are the French. I used to try to sell them wines from new regions such as California. Now I say, 'Unless you're open-minded, don't bother'."

Perhaps on the other hand, he really was born in St Etienne (fork left for Côtes du Forez) in 1957 and fell in love with England via a football match in Liverpool, unlikely as this may seem. Other talented French sommeliers have deliberately chosen to make British hotels such as the Manoir, the Inn on the Park, the London Intercontinental and the Lanesborough their base for learning about wine, because the chances to learn about non-French wines are so much greater (even if the matching of specific wines and foods is largely ignored in the UK).

Certainly the World Sommelier Championship, held this year in Brazil, requires truly non-chauvinist wine knowledge.

The questions Gérard can remember from the written exam on the Friday included pairing the names of 10 of Italy's arcane Supertuscans with their producers, and ranged from California wine nomenclature, through the Luxembourg appellation system to the role of vitamins in grapes. The practical part of this qualifying round involved serving a Brazilian Cabernet Sauvignon correctly.

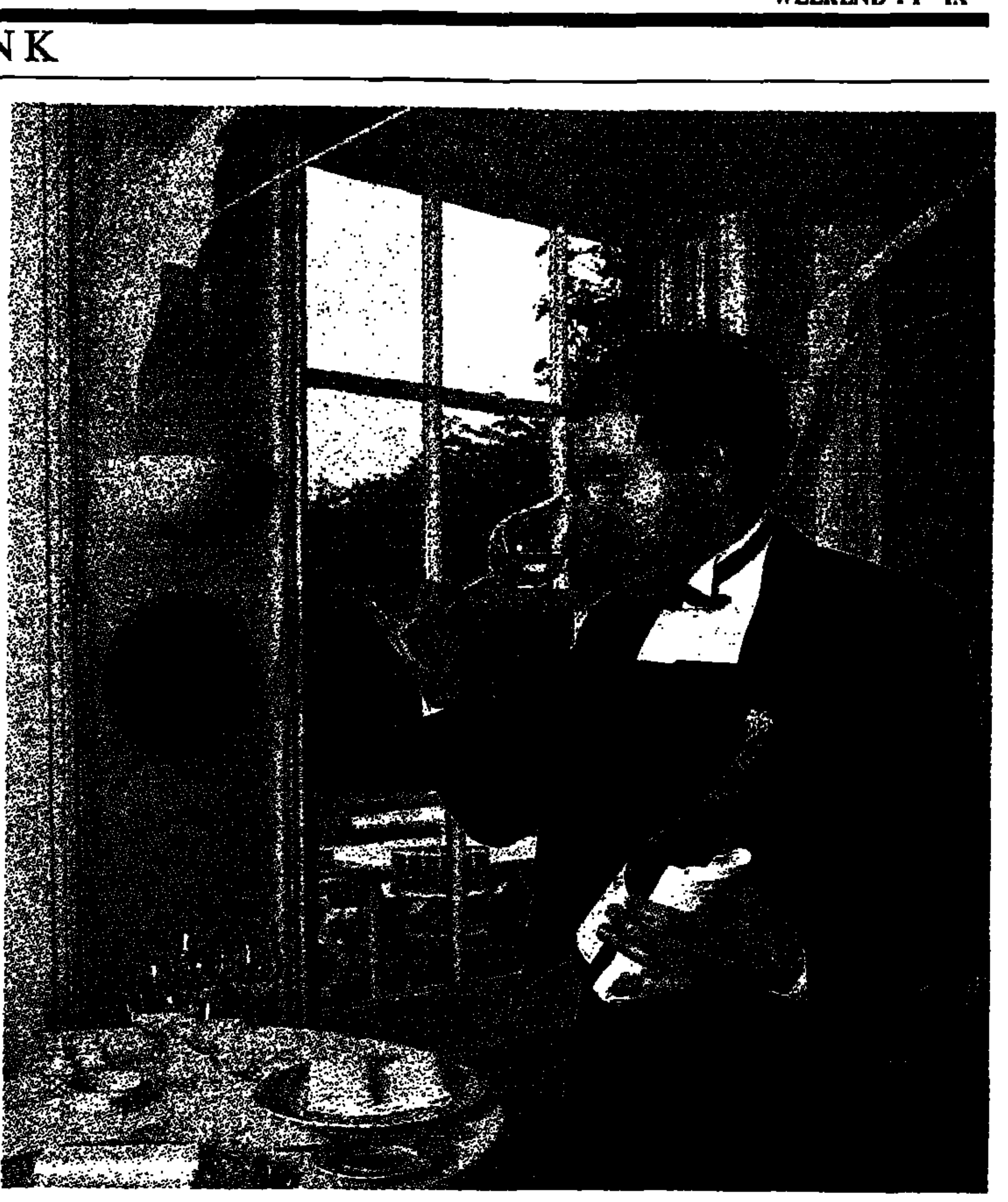
This reduced the 35 finalists to five who had to perform in public on the Saturday, describing and recommending wines (and spirits) from an 800-bin list they had only half an hour to study, and answering such nasty questions as: "What do you think of Michel Lynch 1986?" (Some contestants were so nervous they managed to stumble out an appreciation of this wine, which did not exist at that time.)

Basset is lucky. Both his employers at Chewton Glen and his fiancée Nina Howe (an AA hotel inspector) actively support his dedication to a series of vinous title fights. Priestlike, he studies theory religiously each morning before furthering his practical mastery of wine waiting at work.

His next ambition is to pass the Master of Wine exams, the highest academic qualification in the wine trade. Nina will continue to test him with mystery glasses served during their two evenings a week together, since the MW also involves practical as well as theoretical exams. And they have advertised in the local paper for someone to coach him in the necessary essay writing.

He says, rather touchingly, that his aim is to motivate others to become sommeliers by helping to change their arrogant image. "But you know," he said conspiratorially, "the worst are some of my young French staff.

"One of them, a 19-year-old, told me off the other day for decanting a Pinot Noir. So I waited until after service and asked him to explain exactly why I shouldn't. And do you know the only reason he could give me? 'Because, in France we don't'."



Not as sniffy as they used to be: sommelier Gérard Basset

Grand hotel

A culinary oasis in a sea of drabness

Coming soon, good food in Warsaw, hopes Giles MacDonogh

WHEN YOU walk through Warsaw's small diplomatic market with Kurt Scheller, executive chef of the Hotel Bristol, you quickly realise what immense power a man in his position can wield.

Everywhere hands reach out to offer foods otherwise unavailable in the Polish parts of the city. But Scheller looks deeply unimpressed as he strides through the stalls piled high with tins of caviar and dried mushrooms, occasionally stopping, only to turn up his nose at cream-coloured smoked salmon, a few eels, some uneven bundles of white asparagus, an undersized leg of lamb, or some poor Polish cheese. He, more than anyone, is aware of the problems of running a quality dining room to the east of the old Iron Curtain.

The Bristol is closed for the time being; it was due to reopen tomorrow, but when I was there in May, few of the hotel's staff thought they would meet the deadline. Now, I hear, it is to open in December. Now franchised to Lord Forte, the Bristol was Warsaw's smartest hotel before the last war and had the good fortune to survive the destruction of 78 per cent of the city by the Germans by virtue of the fact that it was their military HQ.

After the war it was run by the state hotel chain, Orbis. Predictably, standards dwindled and nothing was done to make the place suitable for international visitors. Forte's first move was to gut the hotel so that bathrooms could be installed in all rooms. Some of the old interiors will then be put back to please the local equivalent of the Ministry for National Heritage.

Had the Bristol been in Western Europe, Scheller might be the happiest of chefs, seeing his dream rise about him. With a team of 50 (10 of them non-Poles), Scheller will have a smart cafe complete with pavement terrace; an upmarket Italian restaurant; and a main dining room serving "new Polish cooking" to play with. And this does not include the usual panoply of banqueting rooms.

Scheller's vision is troubled, however, by problems with the supply chain: can he rely on Poland for raw materials or must he import everything from the west?

Scheller's experiences had not been without their comic side. He told me a story about a roguish farmer who brought him a chicken which, he said, was the best in Poland. Scheller cooked the super chicken for four hours, but the beast was still unbearably tough. The next time the chicken farmer turned up Scheller kicked him out. Others brought him ducks the size of geese covered with impenetrable layers of fat.

In the main, the rivers, lakes and ponds were so polluted as to render the pike, carp and zander untrustworthy.

The hanging of meat had disappeared under communism and, although beef was cheap and plentiful; the meat was impossibly tough.

One glimmer of light had come from an unlikely source: a fellow Swiss who for one reason or other had come to Poland to farm. Here he was producing eggs, milk, cream and cheese as well as fruit by ecological methods. Scheller had signed a contract to take all the small farm's produce but it fell well short of his requirements.

Meantime, the farmers in the three villages closest to the Swiss had been impressed by the prices fetched by his produce and had asked him to act as a consultant. The result is that all three villages are now supplying Scheller with the best dairy produce.

Scheller has also been having second thoughts about the "new Polish cuisine" he had intended for his main dining room. Some ideas lent themselves to adaptation: the traditional stuffed carp could be rendered as an aspic with carp and pickled vegetables. Others were simply too rustic to please the businessmen most likely to use the restaurant. Regional recipes had proved very hard to come by.

Poland's shifting borders after the second world war had made a nonsense of Polish provincial cookery. The few remaining practicioners of Pomeranian, Silesian or East Prussian cookery were more likely to be across the borders in Germany; huge population transfers had dealt a fatal blow to local folklore; the departure of the nobility had meant that the secrets of the great aristocratic kitchens were lost to the modern Poles.

Where they could be traced from old manuals they proved essentially derived from France anyhow.

Kurt Scheller is an intelligent and hard working man and I feel certain that he will get it right on the day. In the run up to the launch, however, my heart goes out to him in his kitchen: it cannot be an easy job injecting a feeling for quality into a people starved of such considerations for more than 50 years.

It will take a long time before Poland becomes the pleasant place it must have been before the war. Until then, it is likely that the Bristol will remain an isolated instance of excellence among the omnipresent drabness.

■ Information: Hotel Bristol, Ul, Krakowskie Przedmieście 42/44, 00-325 Warszawa. Tel: (48) 22.26.22.13.

Cookery/**Philippa Davenport**

In praise of perfect pasta

PASTA IS a natural choice when time is of the essence – and, since it frequently is, pasta tends to feature on many household menus at least once a week.

Whether this is gastronomically depressing or good tidings may depend on the shopping. For there are some extraordinarily nasty confections sold in the name of pasta and pasta sauces, a few that are good, and one or two gems.

To my mind, Cipriani is by far the best brand of pasta available to British home cooks. A great deal more appetising than the so-called fresh pasta generally on sale, it is better than the home-made pasta of all but the best home cooks. Cipriani's range of shapes is limited, but this dried pasta is exceptionally eggy and light, and it cooks quickly.

Pasta this good does not need dressing up. Melted butter, a grinding of pepper and a smattering of freshly grated Parmesan is enough. Or fruity olive oil warmed and infused with crushed garlic. Those prepared to indulge in a little more culinary effort, however, may care to consider making the sauce recipes I give below.

Easier still, in theory at least, is unzipping a can, jar or tub of ready made sauce – if you can find one that passes your tastebud test. Sauces made by Italians for the Italian market and imported here are probably the best bet.

I like, rather than rave about, Cipriani's latest canned pasta sauce: Amatrice, the consistency and nuggets of smokey bacon are as they should be.

Althea's tomato sauce is excellent, pure and barely cooked so it is remarkably light and fresh tasting. Equally suitable for cold pasta dishes and hot ones, this could be used also for dressing courgettes, leeks and other cooked vegetable salads.

I also recommend La Truffata by L'Aquila, a smoothly pureed blend of porcini and white truffles, small spoonfuls of which make a rich treat simply stirred into thick hot cream. This is good for saucing escalopes of veal as well as pasta.

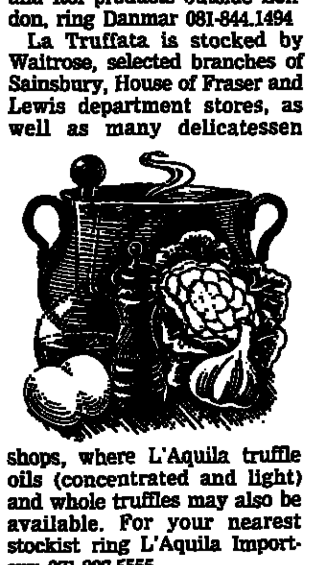
Last but far from least, look out for pesto by Roi. Most ready-made versions of this lovely sauce bear little relationship to the real thing; none holds a candle to this.

Made by a small Ligurian producer steadfast to tradition, it includes nothing but basil, extra virgin olive oil, garlic and pinenuts. No cheap substitutes. No extras. Not even salt - as the soil in which Ligurian basil grows seasons the herb with salt enough.

What about Parmesan and Pecorino Sardo? Surely they are classic ingredients of pesto? Quite so, but they are absent from the jar for the simplest and best of reasons. In Liguria, I am told, cheeses are never incorporated into pesto until the day of serving. If added ahead, they say, the sauce may ferment in storage.

Stockists: London stockists of Althea (A), Cipriani (C) and Roi (R) products include: The Knightsbridge Pantry (A, C and R); Tom Conran's (A, C and R); Panzers (A, C and R); Justin de Blank (A and C); Harvey Nichols (A and R); Partridges (A and C); Fortnum & Mason (A); Selfridges (C). For stockists of Althea, Cipriani and Roi products outside London, ring Danmar 081-844.1494

La Truffata is stocked by Waitrose, selected branches of Sainsbury, House of Fraser and Lewis department stores, as well as many delicatessen



shops, where L'Aquila truffle oils (concentrated and light) and whole truffles may also be available. For your nearest stockist ring L'Aquila Importers: 071-837.5555.

TAGLIARDI WITH LEMON AND HERBS

(serves 2-3)

The important thing here is to steep the herbs and lemon in olive oil for 12-24 hours before using so the oil becomes impregnated with their flavours.

8 oz green tagliardi; 1 lemon; 1-2 tablespoons chopped lemon thyme leaves; 2-3 teaspoons chopped fresh rosemary; 3 tablespoons fruity olive oil.

Grate all the lemon zest, mix it with the herbs and olive oil. Cut half the lemon into thin slices, discard the pith and cut the flesh into small triangular wedges. Add these to the oil mixture and leave to steep overnight.

Just before serving, place the aromatic mixture in a flameproof casserole over low heat. When warm, add the juice of the remaining half lemon. Swirl to mix and remove from the heat. Quickly add the freshly boiled and drained pasta and toss to mix, adding sea salt and pepper to taste.

Serve alone or hand round also a little bowl of freshly grated Parmesan - but be cautious: too much Parmesan is a mistake. Its savoury richness may detract from the sharp clean taste of citrus and herbs.

PASTA WITH ORIENTAL LEEKS

(serves 2-3)

East meets West in this light and pretty dish.

6 oz penne or other small pasta shapes; 6 oz leeks (cleaned and trimmed weight); 1 teaspoon finely chopped ginger root; 1 slightly heaped tablespoon sesame seeds; a couple of spoonfuls each of olive oil and chopped coriander leaves.

Slice the leeks across as finely as possible to make ribbony shreds. Chop the ginger and coriander, and toast the sesame seeds.

Warm the oil in a flameproof casserole. Add the ginger and leeks and stir for half a minute or so until glistening. Cover and soften gently for 2-3 minutes. Then add the sesame, coriander, cooked and drained pasta and a seasoning of salt and pepper. Draw the dish away from the heat, toss to mix well and serve.

POOR MAN'S FUSILLI

(serves 2-3)

Fried breadcrumbs, which add agreeable crunch to this recipe, are sometimes called poor man's Parmesan, hence the name of the dish.

6 oz fusilli or other pasta shapes; 2 oz breadcrumbs; 2 garlic cloves, finely chopped; 2-2½ oz celery leaves and tender young celery stalks, finely chopped; a handful of chopped parsley; the grated zest of a lemon; 1½ oz unsalted butter or 3 tablespoons olive oil.

Heat half the butter or oil in a flameproof casserole. Stir in the crumbs and fry, stirring now and then, for several minutes until golden and crisp. Remove and keep hot. Melt the rest of the fat and fry the garlic and celery.

Draw the casserole away from the heat. Add the cooked and drained pasta and the parsley and toss to mix. Add the lemon zest, a seasoning of salt and pepper, and the savoury fried crumbs. Toss again and serve without delay while the crumbs are still crunchy.

Eating Out/**Nicholas Lander**

Count on Snow this winter

SEBASTIAN SNOW left school at 16 with five O levels and the encouragement from his careers master that he might make a good estate agent.

Melissa, his wife of 18 months, abandoned a Politics, Philosophy and Economics course after two years and then swapped a city secretarial job to work behind the bar at Chelsea Arts Club.

They eventually met working at 190 Queensgate, a fashionable London restaurant and, in December last year, opened their own place. In spite of recession, it became profitable in its sixth month and turnover will exceed £600,000 by the end of its first year. Their business plan, which was rejected by five different banks, projected a breakeven figure of 60 covers a day – today they serve more than 100.

Life is not all rosy. The hours are long and hard and Sebastian described married life as "a business partnership but we live together." Melissa wakes Sebastian at 7.15am so that he can get to the kitchen and he welcomes Melissa back at 1 or 2 in the morning after she has checked the till and locked up.

Sensibly, in terms of fashion, health, cost and his relatively limited experience, Snow's cooking eschews the sauces and reductions of haute cuisine for the more rustic food of the Mediterranean, in particular Provence and northern Italy, where he spent school holidays.

Bruschetta, brandade crostini, a gratin of mozzarella, aubergine and tomatoes, braised knuckle of pork with sage, chartreuse of partridge with cabbage and a daube of ox cheeks with mashed potatoes are just some of his dishes. All are interesting, well prepared and sensibly priced with most main courses under £10. But for me at the moment the cooking is not punchy enough, although this may change as Snow gains in experience.

The wine list too would benefit from more professional counselling. Prices are not excessive – nothing more than £20 – but it is not exciting enough given the increasing number of good value wines on offer in London and there is too little by the glass. Most personally, I would welcome an off switch on the cassette player.

Nevertheless I have enjoyed my four meals there – not only for the food and friendly service but because this restaurant is more than a sum of its parts.

Both Snows have thrown their combined experiences into it. Although he started cooking 14 years ago he floundered for a long while. A chef he worked for seven years ago remembers that Snow had trouble butchering a duck. Then in 1988 he went to work for Antony Worrall Thompson and he was transformed.

The Snows: partners in business and marriage

Since, he has combined confidence with a desire to learn. Financial rewards have helped – as a sous chef at 27 he was earning £25,000 pa – but the chance to wear a chef's jacket with the name of his own restaurant embroidered on it seems the biggest thrill.

Melissa's most salutary work experience – as assistant manageress of a plush restaurant that went into receivership after just three months – left her in no doubt that as well as looking after her customers she must take care of staff, too.

Such common sense proved invaluable when they decided to open their own restaurant. When it came to selling their homes to finance the purchase she insisted on keeping some cash for a "rainy day". And their ideas on decor have coincided neatly, successfully and economically: rag-rolled walls, pots of lavender on tile-topped tables, generous jars of olive oil infused with garlic and rosemary and a large, colourful mural to brighten the basement. An artistic family helps – the eye-catching photos of a girl picking lavender are of Melissa's sister, taken by her photographer brother.

The gratitude that residents of Shepherd's Bush and Brook Green must feel at the Snows' arrival, as well as office workers who make up a good lunchtime clientele, is more than matched by the Snows' gratitude at the opportunities the restaurant trade has offered. A meritocratic industry, it can repay, even in a recession, those who can see through the early, poorly paid years of the necessary apprenticeship.

The Snows recognise this. Partners in their own successful business they realise that, because of their choice of career, they lost touch with many friends who, during the 1980s, pursued more conventional, and at the time, more financially rewarding careers.

Today this prospering business is theirs and they hope to make long-term plans – perhaps, a restaurant with bedrooms. More immediately, they have made many friends among customers who have crossed the threshold.

■ **Snows on the Green, 166 Shepherds Bush Road, London W6 7PB. Tel: 071-603 2142. Lunch: Mon-Fri and Sunday 12 to 3pm. Dinner: Mon-Sat 7-11pm. Set lunch £12.50.**

FASHION

As naked as the day that he was born...

Clothes often denote one's role in life. Would we be better off without them? asks ***Hugh Dickinson****, Dean of Salisbury*

ACUTE embarrassment. That awful knotting of the muscles of the solar plexus. The cold sweat. The desperate search for a route of escape, knowing there can't be one. The rapid rehearsal of multiple excuses; anything to deflect the pitying, amused, slightly startled glances of fellow guests. It's the stuff of nightmares, *but this is reality. I have come in the wrong clothes!*

Yes, I have arrived for the party in a suit and tie when all my fellow guests are in dinner jackets. But was there? wasn't there? a little note in the corner of my invitation, "lounge suit" or "black tie", or (much the smartest) "don't bother to dress"? Hiding behind a large Appeal court judge who looks me up and down and turns his back on me I swig my dry, oh so dry, sherry, and take a surreptitious peep at my invitation card. Nothing. Thank goodness! It's not my fault. I have been tricked, deceived by my hostess's carelessness. I can explain.

But then the awful truth dawns. These people, all these loud confident people in their black ties and these loud confident women in their extraordinary asymmetrical dresses, *they know without being told*. They are all instinctively wired for the nuances of dress appropriate at the time, the place, the hostess. They know by instinct. And now they know I do not belong. I am not one of them. And they are so kind, so understanding. I wish I could die.

But next time. Ah, next time I will get it right. I will dig out my 1954 dinner jacket, brush off the verdigris, hunt desperately among the screws and paperclips for my studs and arrive – yes, once again to find everyone else in pastel polo-necked sweaters and pale, pale trousers sipping Campari and orange from long thin glasses.

Getting it wrong. That's what clothes are all about. It must be just about as old as Adam. (My dear, did you see Cain's fig leaf? At this time of day! Really I don't know what will become of the fellow. And isn't Abel dishy?)

A huge amount of human time and attention has been devoted to the demarcation of social groups and to the devising of indicators of status, wealth or profession. The courts of the Manchu emperors had hundreds of grades of hierarchy signified by buttons or tassels or rosettes on those amazing hats or on the sleeves or hems of their grotesque robes.

Men were executed for getting it wrong. It is a process of natural selection. The chap who doesn't know his tassels isn't the sort of chap to make an *11th Grade Mandarin. Not reliable.* Won't toe the line. Bad genes. Off with his head.

In any hierarchical institution knowing one's place is essential if the machinery is to work. Institutions function with roles which have designated tasks allotted to them, regardless of who may be occupying the role. The subtle differentiation of uniforms and their trimmings come to represent the ordering of the institution, so any tampering with even the smallest part of the signal system threatens to dismantle the whole complex edifice. Hence, the seemingly ridiculous resistance of the judges to abandon their wigs and all their 18th century paraphernalia. Take away one curl from a red judge's topknot and it seems as if British Justice will collapse.

But there is more to it than silly traditionalism. The wig denotes the role. Beneath the wig hides the man, or, aha! the woman. Inside the role lurks the human being, the quirky, passionate, vulnerable, prejudiced and all too human being.

That man (or woman) under the wig had odd ideas, eccentric intuitions and deep feelings, but not the judge. He and she (but not His or Her Honour the Judge) has sexual longings, despairs and hatreds. She had a father who abused her (but not the judge) who happens to look just like this nasty fellow in the dock. He (but not the judge) had a daughter who left home and was the spitting image of this girl up before him now. The institution need the role, the role needs the clothes, the clothes must cover up the human being.

Uniforms defend the institution against the vagaries of the human heart. Only those with supreme confidence in the rightness of their own personal vision can afford to care nothing about clothes. They are usually madmen, *geniuses, or, according to PG* Woodhouse, peers of the realm, especially earls.

In my own calling clothes are curiously important. I am, after all, a "man of the cloth". I may deride the nobles of the splendid courts of eastern emperors in all their meticulous finery, but sartorial signals of hierarchy litter the ecclesiastical wardrobe both in and out of church. In church we all dress up like Welsh wizards, wear funny hats (if we are top persons) and embroidered duvets.

We keenly eye the exact length of lace on the surplice or cotta worn by the cleric in front of us in the procession as a sure indicator of it's wearer's theological position or status. Buttons down the front of cassocks are High, but not as High as birettas (a hat, not 007's gun); but high collars are Low. Grey stocks are liberal; a white-knotted tie and soft shirt is Oxbridge agnostic/radical. Sandals are social-gospel Franciscan; brown suede shoes socialite HTB charismatic. Fun, isn't it?

The arrival of women on the scene has added delicious complications. They have to have specially cut shirts and stocks, and the pin-striped assistants in the ecclesiastical outfitters perspire pinkly as they circle those glorious but unfamiliar contours with their trembling measuring tapes. But within those limits the uniform remains austerely unchanged.

The cultural shock of seeing earrings swinging above the cassock and high-heeled shoes peeping out under the hem has been considerable. But it is soon dispersed by the recognition of the uniform which designated a familiar role – the vicar. The uniform is unisex, androgynous.

Here is not just a man, not just a woman, but a minister of the church, yes, in many places now a priest, whose *private feelings,* sex and *personality* are veiled to give place and power to the role. That accounts for the lubricious shock-horror which always accompanies the disclosure in the tabloids that sex still goes on under the cassock. But it equally accounts for the fact that the ministry of women clergy is readily accepted once it has been experienced. What it will be like when we see a mass of auburn curls under a mitre I am not sure.

There are dangers too. Tyrants put their subjects into uniform as prisons do and give them numbers not names. It is a form of depersonalising control, a *step towards robotics.* Wearing a uniform is a sign of submission as well as membership. Individual choice of bright colours or personal style are, like laughter, a sign of freedom. Tyrants and authoritarian institutions forbid them.

Men and women in professional roles in hierarchical institutions can easily get eaten up by their roles. The judge becomes judicial at home, the schoolmaster a domestic didact, the priest a professional Good Man whose implacable saintliness becomes intolerable to his spouse who longs for some good red-blooded lust or rage to prove the man is still alive inside the cloth.

As some great civic services I sometimes let my eye wander along the rows of judges, mayors and generals, the lords lieutenant, sheriffs, bishops and archdeacons in all their amazing, dotty, ceremonial robes, and think what fun it would be to invite them all to a party in a sauna. What human truths, what unexpected delights would come bubbling to the surface in the tranquil steam? And what fun to write in the corner of each invitation "Don't bother to dress."

Well, why not? After all that's the kind of invitation God has extended to all of us from Adam onwards.

In hard times it pays to be a second-hand rose

Sasha Jensen *scours the racks and rails for some designer bargains*

IF THE price of a new autumn wardrobe seems liable to cause irretrievable damage to your bank account then perhaps you should consider buying second-hand.

Not only does it make economic sense; it also fits in with these recessionary times. Whereas it used to be smart to buy a glamorous, glitzy and dramatic suit, nowadays it is much more subtle to create a less manufactured, more individual look.

Many clothes these days are designed to look second-hand before they leave the shop. *Seams and stitching have been* purposely carved to create a warm, worn feeling. Besides which, designer pieces can be given a lift and new life by mixing them with second-hand items.

There are a few second-hand shops in London which specialise in only the very best high fashion designer labels. But second-hand clothes shopping *is difficult – you have to know* where to go and how the system works. It is not the same as buying something from a store that has several different sizes of the same outfit. If you see a design you like it is a matter of chance whether it comes in your size or not.

Second-hand clothes shopping is a business in itself. The name of the game is recycling. *People with clothes to sell* bring them in to the shop hoping to receive a decent price for their once-loved garments. Shop managers inspect the garment for any marks or stains. If the item has been worn before, it must be cleaned.

Most second-hand clothes shops operate a cash-on-sale policy. Mark-ups vary. Some *managers will discuss* with the customer how much she/he wishes the articles to sell for and then agree a mark-up.

The most important feature of the second-hand trade is the quick turnover that it demands. Clothes can change hands from one owner to the next in a matter of minutes. The best buys are usually found by those who pop in often to their favourite shops.

Pandora, at 16-22 Cheval Place in Knightsbridge, is a good place to start looking for *top designer labels at second-*hand prices. Its clothes range from cat-walk couture to Levi's 501's and T-shirts, from hats to two-piece suits.

The shop has a clear, organised layout which makes it easy for the shopper to find her way around. Clothes are organised according to particular designers, types of material or *season of the year.*

There is a section for Chanel, for example, a silk group with blouses and skirts, a rainwear and coat section (with names such as Valentino and Georgio Armani), a waistcoat section and many more.

Pandora has been in business for more than 40 years and has a wide circle of customers: buyers and sellers.

"The customers rummage through their wardrobes and bring anything they think is in good condition and is worth selling and will *no longer* be missed," says manageress Fay Hutchcroft. This keeps the shop constantly busy. As the larger department stores move *into autumn shades and* patterns, so does Pandora.

Items available this month included a Karl Lagerfeld tweed two-piece suit (last *season's*); a *Nichole Farhi* navy blazer and skirt that you might wear to work; a Nichole Farhi wool and fake fur coat which is in other shops this year but is half the *price* at Pandora.

A slinky suit for the lady who lunches

Designs, at 60 Rosslyn Hill, Hampstead, north London, is a second-hand shop which caters for everything that looks *designerish but does not* necessarily sport a known label. The clothes are all in excellent condition with blue tickets for the new clothes and white for the nearly-new ones.

There are lots of blazers and coats. This month, for example, there was a beautiful tweed, black check jacket with *matching trousers by* YSL (£199.00); a Donna Karan silk trouser suit (£199.00); Giorgio Armani herringbone tweed jacket (£169.00). There are some cheaper buys *by names such as* Whistles and Joseph. There are waistcoats and skirts, shirts and trousers – a whole rail for each. *Designs also stocks some* exciting evening wear: gowns for balls, frocks for dinner parties and cocktail dresses for elegant Hampstead soirées.

Sometimes clothes brought in in the morning are sold by the afternoon. Manageress Dominique Cussens says that with the recession there is much less stigma attached to buying second-hand. "Why spend £100 on a Next suit when you can quite easily have your always-dreamed-of high quality Yves St Laurent suit for £150?"

The Dress Box, *Cheval Place,* Knightsbridge is next door to Pandora's. This small but captivating shop specialises in haute couture clothes and big designer names. It is sophisticated and more expensive than most.

"Many people don't even realise that we are a second-hand shop until they *see the shoes,"* says Michael Lynn, the manager. Most of the clothes are in remarkable condition. Some look as if they have never been worn at all. Nothing over one year old is accepted and everything is impeccably cleaned. Alterations can be made.

Pamela, of 93 Walton Street, London SW3, has been around *for 20 years* and is a legend in the business. Pamela's policies for selling clothes are much the same as those of The Dress Box: designer labels only, not more than 18 months old, kept no more than six weeks and the prices depend on the seller.

Some clients have a price in mind, others rely on the shop's advice. At Pamela you are likely to find all the currently fashionable labels: Valentino, Chanel, YSL (which usually lasts no more than half a day once on the racks), Ungaro and plenty more.

It is round about now that the second-hand shops are at their busiest, when those who wish to sell are sorting out *their wardrobes and deciding* what can go and what should stay while those who are looking to buy come nosing around for bargains. So, if your wardrobe *needs a lift and you* cannot afford full retail prices, there is no time to lose.

■ *Additional research by Hannah MacGibbon.*

The city suit for the lady who means business

That perfect little black number

SPORT

Soccer/**Peter Berlin**

A 90-minute act of penitence

LAST week I did penance. I refereed a football match. It was cold and windy and it rained hard. I was sworn at and my decisions were disputed, often with good reason. Still, it could have been worse. It did not hail and no-one hit me.

After the game most of the players came up and thanked me. There is no contradiction in this. They moaned at me non-stop for 90 minutes but they knew that without me the game could have been much worse (and, under the rules of the Southern Olympian League, it would not have counted.) That is why I refereed. Next time my team plays at home I shall be playing, one of my team-mates will referee and I will moan at him when opposing forwards beat our offside trap.

The most depressing aspect of the refereeing was not the abuse, it was the inescapable reminder of my own fallibility and powerlessness. I started well enough. I blew my whistle hard and waved my arms emphatically for every decision. I was a man who had done this before, at least five times. I was in control and could afford to let the game flow. (Although, the SOL Minor division E is not known for dirty play). When things go well, says David Ellery, a top international referee, "you are like a conductor of an orchestra just making things flow." That was me. The Leonard Bernstein of Clitterhouse playing fields.

But discordant notes began to creep in. I was 40 yards away, my lenses smeared with rain – refs can't win, either it's "get glasses" or "you blind four-eyed git" – when one team stopped obviously thinking the ball was out. The other team carried on. By the time I noticed, it was too late. Suddenly, the throw-in I missed had turned into a long ball upfield had turned into a cross into the penalty area had turned into a goal and oh-dear-me I'm pointing at the centre spot, filled with doubt and guilt.

Worse, is the abuse of trust by the players. There are always some who try to undermine the referee's fragile self-confidence; claiming every throw-in, arguing with every free kick. *I am here for their benefit trying* to stay unnoticed while they play football. Suddenly they want to fight instead. Our creative midfield player is taking the law into his own feet and kicking and shoving his robust opposite number. It is difficult not to feel betrayed.

In some respects I have it easy. Our solitary fan offers me his advice: "Send him off." At least I am not the object of relentless scrutiny from television cameras, synchronised abuse from 30,000 fans and sly comments at post-match press conferences by managers.

Nick Hornby, author of *Fever Pitch*, a book about life as an Arsenal fan, includes among *his conditions for* a great game: "Outrageously bad refereeing decisions: I prefer Arsenal to be the victim . . Indignation is a crucial ingredient of the perfect footballing experience; I cannot therefore agree with match commentators who argue that the referee has had a good game if he isn't noticed. I prefer to notice them and howl at them and feel cheated by them."

Ellery says: "The crowd doesn't bother me. It is easy to block out 40,000 people, by the time you hear their reaction you've given a decision."

But he accepts that the linesman, trapped on the touchline close to the crowd, takes more abuse, especially from determined hecklers, the strange cases who pepper every soccer crowd and use the match as 90 minutes of psychotherapy.

At Arsenal two years ago, when Liverpool were the visitors, the opening kick-off was lofted down the wing. Two players collided and the ball bounced off the field. The linesman indicated a Liverpool throw. The match was five seconds old, the ball had been touched thrice and a smartly-dressed middle-aged man behind me was on his feet and bellowing. "You got that (swear word) wrong you (swear word swear word) linesman. You'll feel a right (swear word) when you see that on the (swear word) video." He sustained this rage without a break until half time, when I moved seats.

At Luton last season, I watched a game against Everton, listening to a *man in a suit berating officials. One* stretch of dull play was interrupted by a throw to Luton, his team. This did not deter him. "Linesman!" he shrieked. "You're holding the flag in the wrong hand."

"They pay their money," says Ellery. "If they want to spend £9 to scream at me that's fine."

But what about the players? If my division E amateurs give me such a hard time what about professionals whose livings depend on the result?

"Some games are continuous battles between players and yourself," says Ellery. With players "complaining about decisions. Plus there is the increasing over-reaction to foul tackles, the diving and the conning."

Even top referees are amateurs – although even at SOL level it is considered good manners for the home team to give them £20 or so in expenses.

This gives professional footballers and managers another stick to beat them with. "Bringing in professional referees would be one of the best things to happen in football," said Joe Kinnear, the Wimbledon manager. "They would appreciate how players feel and react if they worked at it seven days a week and their livelihoods depended on it."

So why do referees do it? Are they power mad? "I would be worried by anyone who wanted to control 22 people," said Ken Ridden, the Football Association's director of refereeing.

Ellery renounced playing for refereeing at 13. "I wasn't a gifted player. Because I was young I got some publicity. At university it provided a small source of income to an impoverished student. I enjoyed the physical involvement and set myself high targets." He has met those targets, even if they are not measured in winners medals.

"I get a greater buzz because of the atmosphere, the crowd and the standard of play. You get a great buzz being on the field with great players in your own right."

Ellery referees 40 professional games a season. He is a house master at Harrow, the prestigous public school in north London. He says the refereeing gives him a break from the pressures of his job and his work keeps his mind off football. But he is incorrigible. On his free Saturdays he even referees school rugby games.

Next time I'm down to referee at Clitterhouse. I think I'll give him a call to see if he is free.

Conductor on a big stage: David Ellery at this year's Charity Shield at Wembley

Basketball

Dreamers go back to work

Patrick Harverson on the new season facing the Olympic stars

REMEMBER the "Dream Team"? The superstar American basketball players who dazzled the world on their way to a gold medal in the Barcelona Olympics are back at work. The "Dream" is just a distant, if happy memory of three weeks in Spain, and the "Team" is no more, just a collection of individuals preparing to face the rigours of the 82-game National Basketball Association season that opens this week.

The memory of the Olympic gold has faded fast.

The way the Dream Team has been treated since the Games suggests that the Olympics and professionalism remain awkward bedfellows.

The swimmers, divers and gymnasts who captivated audiences in August are still celebrated. In contrast, after a brief flurry of chat-show appearances, the basketball stars returned to their traditional summer pastimes of golf, fishing and more golf.

For amateur competitors, Barcelona was the peak of their careers. The same cannot be said for the Dream Team, for whom the Games were as much about spreading the basketball gospel and selling sneakers as they were about personal athletic achievement.

It is too early to tell if the Olympics will effect the performance of Dream Team players. The Olympics meant they had barely two months' rest, so fatigue could be factor later this season: perhaps in the playoffs next spring.

A few players enter the season carrying injuries from their Spanish adventure. Patrick Ewing, the towering star of the Knicks, is suffering the most. He damaged his ankle at the end of last season, carried the injury through the Olympics and has yet to recover fully. A weak ankle is not something a 7ft, 240lb athlete wants to nurse through a long season that gives teams little more than 24 or 48 hours' rest between games.

Ewing has other problems – such as remembering his teammates' names. The Knicks' management was busy during the off-season. Only two of last season's starting five have survived the shake-up, and nearly half a dozen back-up players have been replaced.

The key signing is Rolando Blackman. He is reknowned for his defensive qualities, Michael Jordan – the league's best player – says Blackman is the toughest defender he has ever faced, and he is a scoring threat from long range. Ewing's strength means opponents have to pack their defence under the basket to stop him. The one thing the Knicks lacked last season was someone who could exploit the space Ewing created and score with shots from distance.

Blackman could be the missing ingredient to turn the Knicks into the championship contender New York has dreamed of since the early 1970s.

Two others who will have to learn the names of new teammates are Christian Laettner, the Dream Team's token college player, who is starting his professional career with the lowly Minnesota Timberwolves, and Charles Barkley, who has moved from the under-achieving Philadelphia 76ers to the Phoenix Suns.

True to form, Barkley was the bad boy of the Olympics. He elbowed a tiny Angolan opponent and then joked that he was scared his victim might have been carrying "a spear somewhere". In spite of his thuggery, Barkley is a great player and could make the Suns contenders.

At the time of the move Barkley was unusually restrained. He said: "Phoenix is not a bad place. I could play golf every day."

But he sounded a note of caution: "The only thing that worries me is the people out in Phoenix. They are so excited. They're already ordering championship rings. Slow down!"

Barkley started his Phoenix career in typical style: thrown out of his first exhibition game for excessive violence.

Among the other Olympians, Larry Bird, the lanky, lumbering genius who played for Boston, has retired because of a bad back. Jordan returns to lead the champion Chicago Bulls, chastened only by the embarrassing experience of being called as a witness in a drug and money laundering trial, and admitting to the court that over the course of one weekend a year ago he lost $57,000 at golf and poker to the defendant.

Probably the biggest short-term impact of the Dream Team, was the lift it gave to Earvin "Magic" Johnson. Delighted as he was to win a gold medal, Johnson won something more in Barcelona – the confidence to return to the NBA after retiring last year when he found he was HIV positive.

Although there are still doubts over his ability to cope with the physical demands of the league's schedule, Johnson will once again lead the Los Angeles Lakers this season. He has, however, agreed to take it relatively easy. If all goes well, he should appear in 50 or 60 games, bringing that special magic which the NBA missed so much last season.

Golf/**John Hopkins**

Breakfast with a champion

GARY Player was face down on the floor of his hotel room. He had one hand resting in the small of his back while the other supported him as he did one-arm press ups. His mouth was no more than an inch or two from the carpet as he talked. "When you do a one-arm press up you have got to have your belly button and your nose on the ground at the same time." Up and down went the figure on the floor as if it was the easiest exercise in the world. "You must keep your back straight otherwise it does not do you any good."

Then Player sprang to his feet, a blob of colour in his cheeks betraying the exertions. He will be 57 tomorrow but he looked ten years younger. He sat on the edge of his bed and peered critically at the breakfast that had just been brought to his room. He did not like what he saw. "Did I ask for butter and white toast? I was sure I wanted wholewheat toast. And cornflakes and sliced banana." He sighed. "At least they did not bring me coffee."

Food is a fetish with Player, not the quantity but the quality. "Many people eat so much junk food they might as well poison themselves," he said. "I avoid animal fats, bacon, sausages, ice cream. I eat meat once every three weeks. Same with butter. If I do not stay fit I cannot play golf. I have a beer every two months and a whisky every three months. I drink herbal teas. At 50 I vowed I would start to lose weight, not put it on. And I have done that. I weighed 165lbs in 1965 and 150lbs last year."

On his visit to London his face was tanned from a brief stay at a coastal resort in South Africa. His black hair, with its high parting, was neatly combed. He looked dated, like a 1950s film star. His dark brown eyes were clear, his hands as leathery as a worn saddle.

Player was on his way to the US for a long tilt at the US Senior tour, which has proved such an attraction for so many golfers once they pass their 50th birthday. Player, Arnold Palmer and Jack Nicklaus once formed the Big Three in golf and Player was by no means overshadowed by the Americans. He is one of only four men to have won the US Masters, US Open, US PGA and the Open titles at least once. In all, he has won nine major titles. Somehow, though, the overriding image of him is of a small, determined man who has had to fight for everything.

Player has such a positive view about life he could almost be Norman Vincent Peale reincarnated. Nothing is ever wrong in Player's world. There is some merit in everything. Every golf course he has ever played on has something good about it. He once said that the flagsticks on a certain course were the finest he had ever seen.

Aphorisms and homilies and plain old wives' talk all tumble from Player's mouth. In crises he quotes Psalm 23 to himself, particularly the section about walking through the valley of the shadow of death. He reads and rereads the Book of Proverbs.

"There is no gain without pain" is one of his favourite sayings.

"If you don't stay fit you can't perform" is another.

"Don't write me off" has practically become his battle cry.

"Golf is a friend-making machine," he says.

"It's funny isn't it that the harder I practise, the luckier I get."

If this suggests a man who sees his life as a series of challenges that he has to overcome, then that is not far from the truth. Indeed he admits as much. "When I go to the first tee I am getting into the ring," he has said. "I am climbing through the ropes. There is no difference between me and a champion boxer."

Player has been travelling for 33 years and estimates he has covered 8m miles. He has won nearly 200 tournaments around the world. He has always been a driven man; he remains a driven man. "I employ 150 staff worldwide. That is quite a pay cheque for a little old country boy," he says. He has a design company building courses around the world, owns farms in South Africa and has horses in training. A company of his makes golf clubs bearing the legend "The Black Knight".

Much of the success or otherwise of these ventures rested on the shoulders of this man in a blue blazer and flannels sitting in an hotel room near London airport. "When I first started travelling we had 32 pieces of luggage, an English nurse and we needed three taxis to get us all around." He smiled and stood up. His breakfast lay untouched. One suitcase and a big bag of clubs stood near the door. Another aeroplane was waiting. Another journey was about to begin.

Old master: Gary Player, 57 tomorrow, has won nearly 200 tournaments, covered 8m miles and is still playing on the Senior tour

■ From Page I

Major's Tory nightmare

successful rebellion against Austen Chamberlain's coalition with the Liberal Lloyd George.

Now Sir Rhodes Boyson, the populist MP for Brent North and one of those in the forefront of the rebellion over pit closures, is unapologetic about the executive's outspokeness. Boyson was elected to parliament in 1974. He insists that the Whitehall cocoon has left Major's government out of touch with the mood in the country – above all with the despair caused by the "disastrous economic depression."

"There is a greater divide between the government and its backbenchers than I have ever seen". Ministers "had better listen to their backbenchers."

The anonymity guaranteed by conversations in the members' lobby encourages a right wing minister to offer a blunter assessment: "Major bears full responsibility for this crisis. If he falls it will be no one's fault but his own".

Others on the right speak of betrayal, a sense that during the leadership election two years ago Major offered a false prospectus. They thought, in Margaret Thatcher's phrase, the prime minister was "One of Us". He turned out to be One of Them, more comfortable in the company of Chris Patten or Kenneth Clarke than the likes of Thatcher or Norman Tebbit.

There is nothing new in a dislocation between a Tory cabinet and its foot soldiers at Westminster. In government, the party has always been divided into three distinct segments: the activists in the country, their representatives at Westminster, and their representatives in Whitehall's ministerial offices. The role of the cabinet frequently is to tame the wilder instincts of the rest of the party.

But Major's opponents believe the gap had grown too wide. Many of the new boys (and girls) are instinctive Thatcherites, true believers. In the words of the left-wing, and semi-detached, MP for Aldershot, Julian Critchley, the "loyal, dull and deferential" Tory party of old has been replaced by "the floor of the party conference brought inland and mustered at Westminster". The red faces on the platform during the outbursts of populist nationalism at the Brighton conference earlier this month underlined the cabinet's discomfort.

There is also a problem of ideology. The certainties of the 1980s – the reflex confidence in markets, in privatisation, in liberalisation – have been shattered by the harsh realities of the recession. But a Conservative party reborn during the late 1970s as a party of ideas is finding it hard to revert to its once traditional role as "the stupid party".

Major's best hope now is that the party retains enough good sense to pull back from the brink. There are signs this weekend that the loyalist and pro European majority is at last raising its voice. The Maastricht rebels show signs of crumbling. Another interest rate cut is on the horizon. Economic recovery would bind many of the party's wounds. The prime minister, however, desperately needs a breathing space.

On the day he was elected leader two years ago a cabinet colleague described Major as "a symbol of our exhaustion". He may yet be proved right – not so much about Major, but about his party.

HOW TO SPEND IT

Why sheets should be all white on the night

You can't beat plain cotton and linen, says ***Lucia van der Post***

WHEN IT comes to bedlinen I take the unfashionable view that it is hard to beat white. I can see that this is not inspiring news for the designers and manufacturers who go to such energetic lengths to ravish the eye and seduce the purse with patterns and hues which would *have been rich and diverse* enough to tempt the ancient rulers of Sarmarkand.

Furthermore, I take the even less attractive standpoint, from the view of manufacturers, that old is much nicer than new. Finely-woven, smooth as silk, old linen sheets cannot be beaten for imbuing the nightly ritual of bed and oblivion with a sense of luxe and well-being.

I know, I know...they are *murder to launder and after* just one night on the bed they look as if they had witnessed much more than a sedate night's sleep. You may be as surprised as I to learn that at The Mandarin hotel in Hong Kong, where staff change the linen sheets daily, if you crumple them by enjoying an afternoon snooze the housekeeper changes them again in the evening.

For those, like me, who enjoy fine linen, antique fairs and markets often yield happy finds. I have picked up embroidered linen bedspreads, cotton woven Marcella bedspreads and embroidered sheets all at prices way below those in the smarter shops. For those who do not have the time or do not enjoy scrummaging around antique stalls there are quite a few specialist shops where antique textiles of all sorts can *be found.*

In London, Lunn Antiques, both in its original shop at 86 New King's Road, SW6 and its brand new one at 21 Cucumber Alley, Thomas Neal's, Covent Garden, has built up a reputation for being a sure source of marvellous old bedlinens.

When it comes to sheets Stephen and Juliette Lunn only deal in linen. A good indicator of quality, according to *Stephen, is the thread count* – the larger the number of threads used per square inch in the weave, the finer the thread, the better the quality.

In much modern linen the thread count has become less in order to keep the price down (an honourable exception is the *Irish Linen* Board which ensures standards – and that also means thread counts – are kept up).

"If the linen feels floppy, it's a sure sign of a worn-out piece," says Stephen. "Linen should have body and some dealers pack it with starch to give an impression of body. Each time linen is washed it loses some of its molecular surface so careful washing is essential."

In grand old country houses, where most of the second-hand and antique linen sheets started out in life, one person used to be in charge of the linen cupboard and sheets were numbered and used carefully in rotation.

So munificently stocked were these linen cupboards that many of the sheets that come on to the market have never been used.

At Lunn Antiques a pair of plain, hem-stitched, linen double sheets with good hand-finished hems costs about £125. Single size ones are more plentiful and cost about £65 a pair. Lavishly embroidered ones start at about £125 each.

At the moment there are four truly exceptional sheets – "the best I've ever stocked," says Stephen Lunn, no doubt *to explain the price of £500* each.

They are 9 ft by 12 ft each, of the smoothest linen, with fine handwork, deep borders of needle and bobbin lace and embroidered with the coronet and monogram of the Countess of Westmoreland who married in 1892. The 12 ft length is to enable the sheet to be turned back to reveal the beautiful handwork. To put the price into perspective it is worth knowing that at The Irish Linen Shop, in the Burlington Arcade, a pair of plain, linen double sheets with a two-row cord finish sells for £310, while a hemstitch finish is £395.

If you cannot run to those prices even a pair of handworked *pillowcases gives an* air of luxe to almost any bed. At Lunn Antiques a pair would set you back anything from £38 for plain hem-stitched ones to about £95 for very lavish ones.

Most towns sport a good supplier of antique textiles. Hand in Hand, for instance, at 3 North West Circus Place, Edinburgh has double linen sheets that range in price from £60 to £140, standard size pillowcases *range from £35 and linen bed*covers with intricate embroidery or drawn threadwork start at £75.

In Bath, Avon, there are two marvellous shops which seem to me to have friendly prices – Collectable Costume at 6 Bladud Buildings had, when I was there, beautiful plain white quilted 18th century Marcella bedspreads, fine embroidered pillowslips and lots of embroidered and lace-trimmed bedspreads.

It is also worth looking in on Penny Philip, at 5 London Street, Bath, who has a lot of French homespun linen, including 19th century double linen sheets for £45, turn-of-the-century pillowcases with *cotton lace and white embroi*dery at about £35 each and double Jacquard, woven, white, cotton counterpanes for £65.

After linen, next best has to be 100 per cent cotton. The cheapest ones I could track down come from – you've guessed – *Marks & Spencer.* At £11.99 a time for singles and £15.99 for doubles, in pure white cotton, they are commendably plain and simple.

If you like a more old-fashioned style Cologne & Cotton is a company worth knowing. Just three years old it has started "to reintroduce the pleasures of...two completely natural products, 100 per cent pure cotton bed and table linen, and a range of eaux de colognes based on original 18th century formulas."

All the bedlinen is in pure cotton, much of it beautifully hand-embroidered and prices are very user-friendly. For those who cannot get to the shop at 74 Regent Street, Leamington Spa or the two concessions at 3 Broad Street, Bath or 9 Little Clarendon Street, Oxford, the complete range is available by mail order.

There is a pure white collection – a double duvet cover with drawn-thread work and cutwork detail is £46.95, double sheets, classically plain but beautifully hemstitched are £39.95, Jacquard cotton bedspreads, woven in Damascus, *start at £44.95 for the single* size and go on up to £64.95 for the King size.

Photographed here (below) is a crisp blue and white check range – duvet covers start at £19.95 for a single, standard pillowcase are £8.50. Tel: 0926-332573 for a free catalogue.

More nostalgic charm from Damask – anything from absolutely plain white cotton napkins with drawn threadwork edging to pukka old-fashioned eiderdowns. For those who like the sweet simplicity of pure white there is a whole range of white, cotton, hand-embroidered sheet sets. The Athene *range, for instance,* includes a hand-embroidered sheet with fine drawn threadwork, at £70 for a single sheet and similarly embroidered pillowcase.

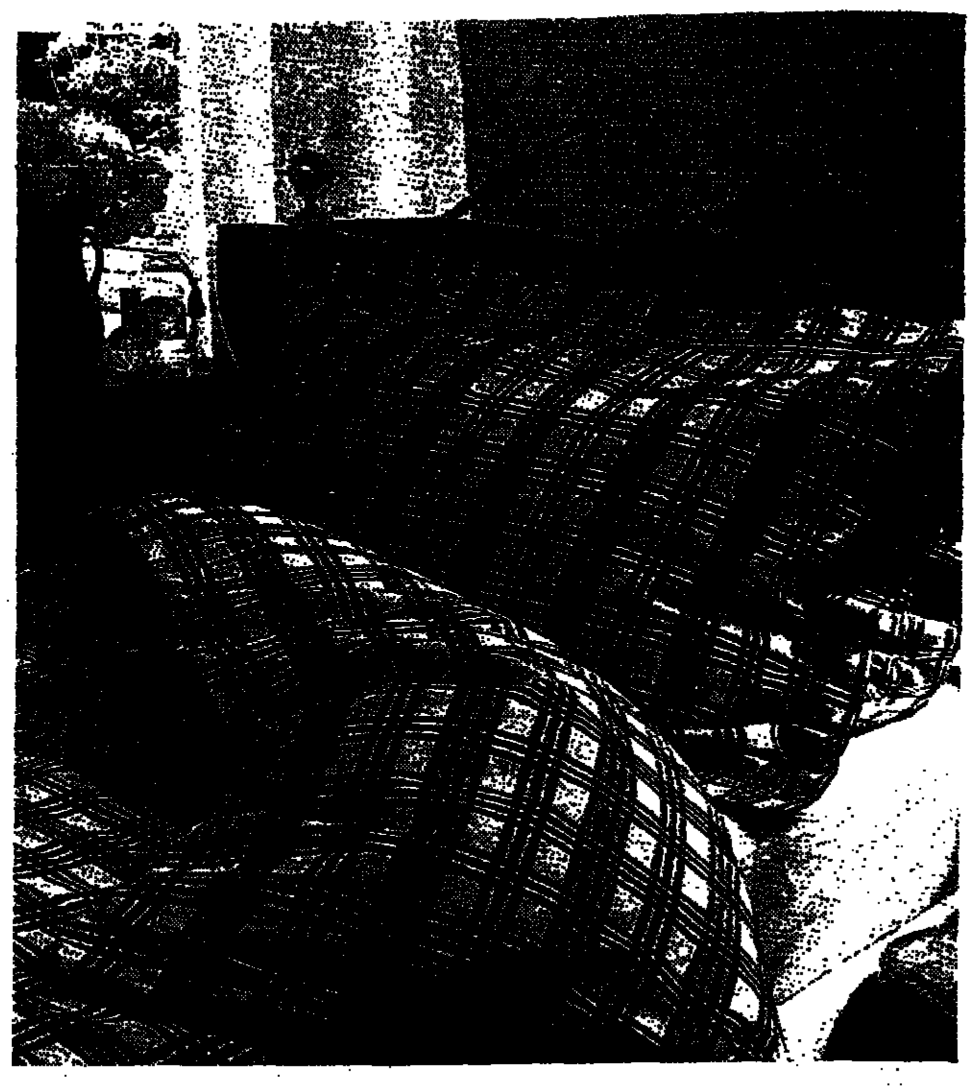
There is a big range of pillowcases – every shape from traditional oblong to continental squares and bolsters. There is a creamy woven cotton bedspread and the enchanting reversible eiderdown in old-fashioned cabbage rose *prints (£225 for the single size,* £270 double).

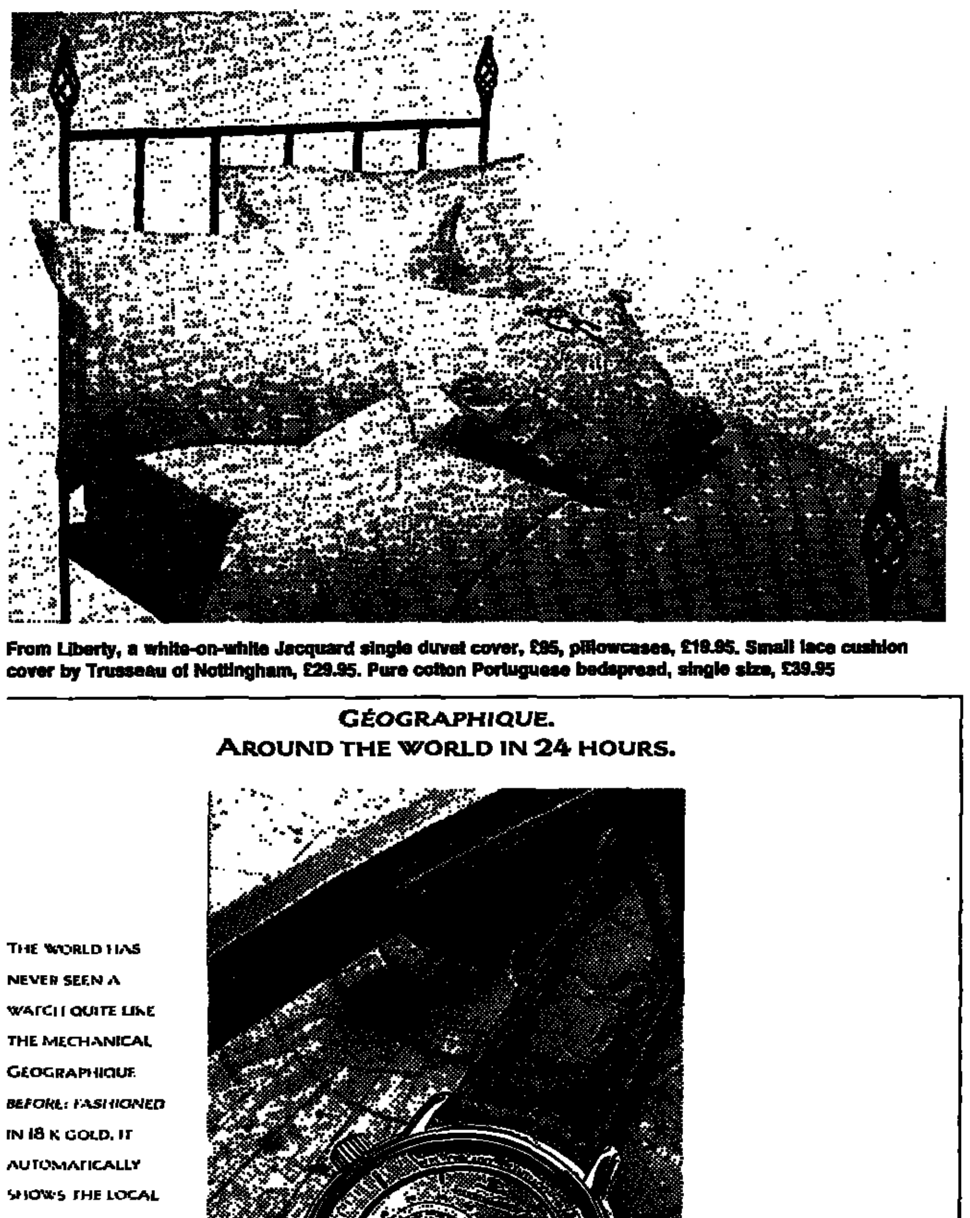
The Damask range is widely available from: Harrods of Knightsbridge, London, SW1; The General Trading Company, 144 Sloane Street, London SW1; And So To Bed, 638-640 Kings Road, London SW6; Homework, 12 Swan Street, Wilmslow, Cheshire; The Hambledon Gallery, 42-44 Salisbury Street, Blandford, Dorset; and Woods of Harrogate. A brochure is available for £2.50 from Damask Furnishings & Fineries, Unit 7 & 10, Sulivan Enterprise Centre, Sulivan Road, London SW6 (or tel: 071-731-3470).

At Liberty, of Regent Street, the onslaught of winter has *brought a rash of tucking-up* ideas – on the third floor a beautiful collection of hand-forged iron bedsteads and bases made by a blacksmith in Cumbria are perfect props for a collection of outrageously pretty bedlinen. For purists there is Nimble Fingers' range of crisp, white cotton and linen mixes, most of the pieces hand-edged.

Right: from Cologne & Cotton, deep blue and white check bedding, £19.95 for a single duvet cover, £29.95 double, £8.50 for the pillowcase

Left: from the Damask ranges – *Natalie, an embroidered nightdress with lace,* £47, and a Wheatsheaf embroidered cushion cover, £21





From Liberty, a white-on-white Jacquard single duvet cover, £95, pillowcases, £19.95. Small lace cushion cover by Trusseau of Nottingham, £29.95. Pure cotton Portuguese bedspread, single size, £39.95

Fully reversible Cabbage Rose bedspread in deep red, pink, yellow, green and blue (£225, single size) over plain white hand-embroidered Angelique sheet set (£100, single size). All by Damask

هكذا صدر الأصل

A Cymric silver tankard, gilt inside, probably designed by Archibald Knox around 1902, and typical of Liberty's adventurous approach

A capital role in London life

LIBERTY has always been one of London's most idiosyncratic stores. It has that inestimable quality that can neither be bought nor artificially applied – personality. Liberty has always been a one-off, part of London's folklore.

Speak to many Londoners and you will find that Liberty holds a special place in their affections. John Lewis may be cheaper and more sensible, Harvey Nichols swankier, Harrods bigger, but no other store offers that magic combination which comes from a mock Tudor building, exotic merchandise and quintessential Englishness. It is London's very own theme park. Like Earl Grey tea, it may be oriental in origin, but it is today an integral part of upper-crust life.

The roots of its quirkiness lie in its remarkable history and anybody interested not only in the store as it is today but its extraordinary role in the aesthetic life of Britain will be interested in *The House of Liberty, Masters of Style & Decoration* (published by Thames and Hudson, edited by Stephen Calloway, £28, 224 pages), which is a history of the store and the role it has played in the aesthetic life of this country.

Founded by Arthur Lasenby Liberty in 1875, it started life as an emporium, the outlet for Arthur Liberty's many enthusiasms, in particular for oriental textiles.

Arthur Liberty was passionately interested in the decorative arts, a great believer in style and craftsmanship and, rather like Sir Terence Conran with Habitat, determined to share his enthusiasms with the great British public.

In its heyday Liberty's was at the centre of this country's aesthetic life. At the time of the Arts and Crafts movement Liberty became a major patron, commissioning and selling on the shop floor pieces by such distinguished designers as C.F.A.Voysey, Leonard Wyburd and George Walton.

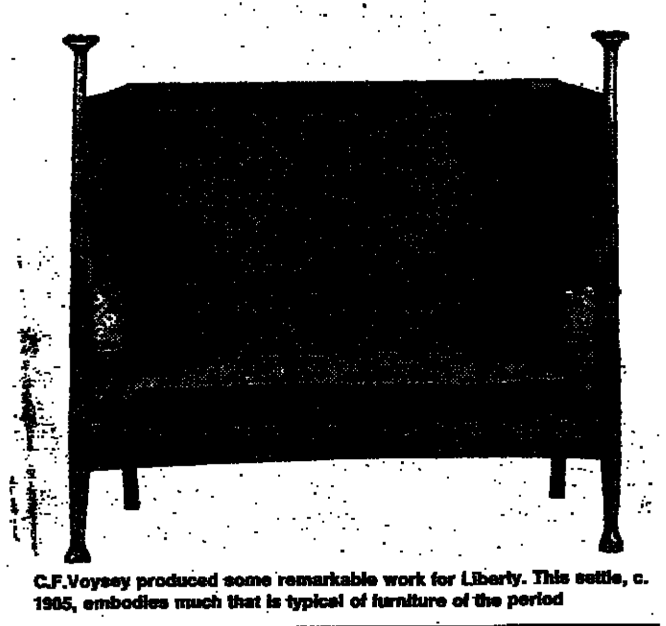
It nailed its cultural colours to the mast with its declaration in favour of "fitness for purpose and the merits of simplicity in furnishing, not... false taste and false luxury."

It expanded from importing exotic Eastern textiles to commissioning new ranges especially for the store and became *the* store that anyone with any interest in the visual arts had to visit.

It would only be fair to say that while today Liberty no longer stands at the cutting edge of modern design it has retained an adept feel for changing tastes and moods. It also still manages to imbue the commercial realities of retailing with a sense of excitement.

Every trip to the store is something of an adventure. Where will their buyers have been this time? Indonesia? Yucatan? The Gold Coast? As one enters the doors, a sense of excitement rises. What will one find today? It is a sad comment on the state of retailing today that that alone makes Liberty outstanding.

L v d P



C.F.Voysey produced some remarkable work for Liberty. This settle, c. 1905, embodies much that is typical of furniture of the period

Sound of music in the City

THOSE who either live or work in the city might like to know that a large new shop entirely devoted to selling serious, high-quality music-recordings has just opened.

Music lovers who regularly visit the Royal Festival Hall on the South Bank will probably already have come across Farringdons shops in the Festival Hall. Farringdon's also has branches in High Holborn and one in Cheapside which is closing down and has already stopped selling classical music. The City shop is its latest venture.

Now that quaffing champagne in the lunch-hour is seriously *demodé* (let alone too expensive) the ardent music-lover, of which the City seems to have an extremely large number, will be able to spend a more sober, less- fattening, lunch-hour listening to music in one or other of the store's "listening posts".

Besides the recordings of classical music, Farringdons Records will be organising a whole host of music-related activities. This week there was Julian Lloyd-Webber in conversation with music critic Andrew Stewart. On Thursday 19th November Franz Welser-Möst will talk with Martin Kettle of *The Guardian*. Other lunch-times will feature music played by students from the Guildhall School of Music.

The new store is at 64-72 Leadenhall Market, London EC3V 1LT.

L v d P

Why Baccarat remains a cut above the rest

MANY OF those who have collected and loved glass will know the name of Baccarat. Its wares have been sought after by tsars and princes, kings and counts, ever since it was first created by royal – French, *bien sur* – decree in 1764.

For those who are used to ogling Baccarat's expensive wares in London's finer emporia, and wondering how and why any single glass could cost quite so much, a sumptuous volume entitled simply *Baccarat* reveals all.

Baccarat's history is long and honourable, an industrial adventure that began in the little village of Baccarat in the Vosges Forest in eastern France and took its wares to the finest tables in the world.

What this beautifully illustrated volume reveals is the role that innovation, creativity and design play in the development of any great company. Just as Arthur Lasenby Liberty forged creative partnerships with the movers and shakers in the Arts and Crafts Movement, and created pieces that design students still study to this day, so Baccarat commissioned work from designers such as Georges Chevalier, Salvador Dali, Robert Rigot and Thomas Bastide.

Besides encouraging design innovation any great company needs to be alert to changes in society, in the way we live and here Baccarat shows itself to be very nimble-footed. As women went out into the workplace and as cosmetics became increasingly important in their daily lives, so it started working with the great beauty companies like Elizabeth Arden, for whom it produced a stunning white opal crystal hand holding a gold and enamelled perfume bottle with a rose-shaped stopper. For Guerlain, besides the famous 1912 Mitsouko bottle with its "gendarme's cap" stopper it made a butter-fly shaped bottle in gilded cobalt-blue crystal with an emery-finished stopper.

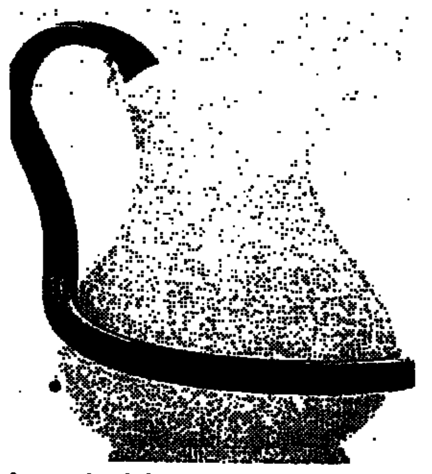
For those who associate Baccarat almost exclusively with a sumptuous, highly-decorative style, involving cut lead-crystal or ornate engraving this book makes riveting reading. Some of its designs are indeed sumptuous, way beyond the tastes of any modern home, but others are remarkable for their austere simplicity. A look at some of the ranges produced in the 1930s shows wine and cocktail glasses as timeless, as classically simple as anything that was produced in the post-war years. Indeed, way back in 1855 Baccarat produced a water jug that looks as contemporary as anything our finest glass-blowers are producing today: a simple curving shape in white opaline glass with a single strip of bright blue it is sends out loud and clear the message that fine design whilst ideally of its time always in some way stands above and beyond its own time.

The book seems to me an indispensable tome for those who care about truly beautiful glass and its visual historical record of the finest work that Baccarat has done is of interest to all who ever have to consider the every day matter of which glass to buy and why.

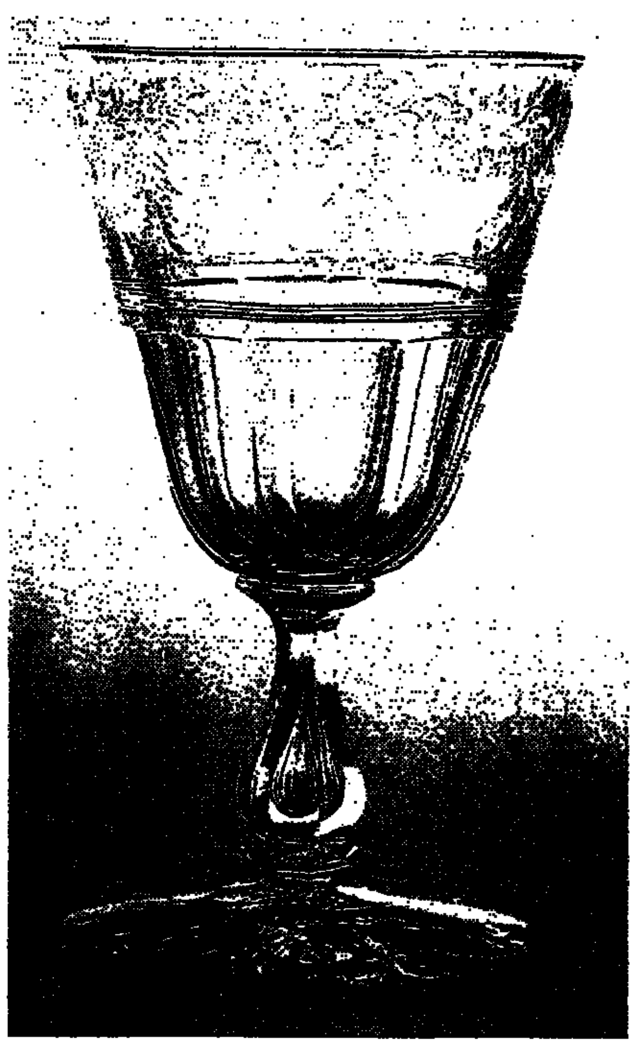
■ *Baccarat By Jean-Louis Curtis, published by Thames & Hudson, £65.*

■ *An exhibition, Baccarat American Collection & Bestiary, is on until November 7 at Harrods of Knightsbridge, London SW1. The works do not, to my mind, represent Baccarat at its finest aesthetic hour, but they are of undoubted historical and technical interest. If you have a taste to see what a 300 kilo crystal American Brown Bear sculpture looks like, now is your chance.*

Lucia van der Post



A cream jug dating from 1855



A richly decorated Baccarat waterglass dating from 1858

Stately homes saved from the ruins

Many owners of listed houses do not look after them. ***Gerald Cadogan*** *looks at ways in which local government can safeguard history*

IT WAS an imposing village house, listed Grade II, in an awful state. After thieves had stripped the lead from the roof valley, the rain poured in.

"I had never seen such virulent dry rot", said Mike Pearson, conservation officer of South Northamptonshire Council. "It was a textbook example".

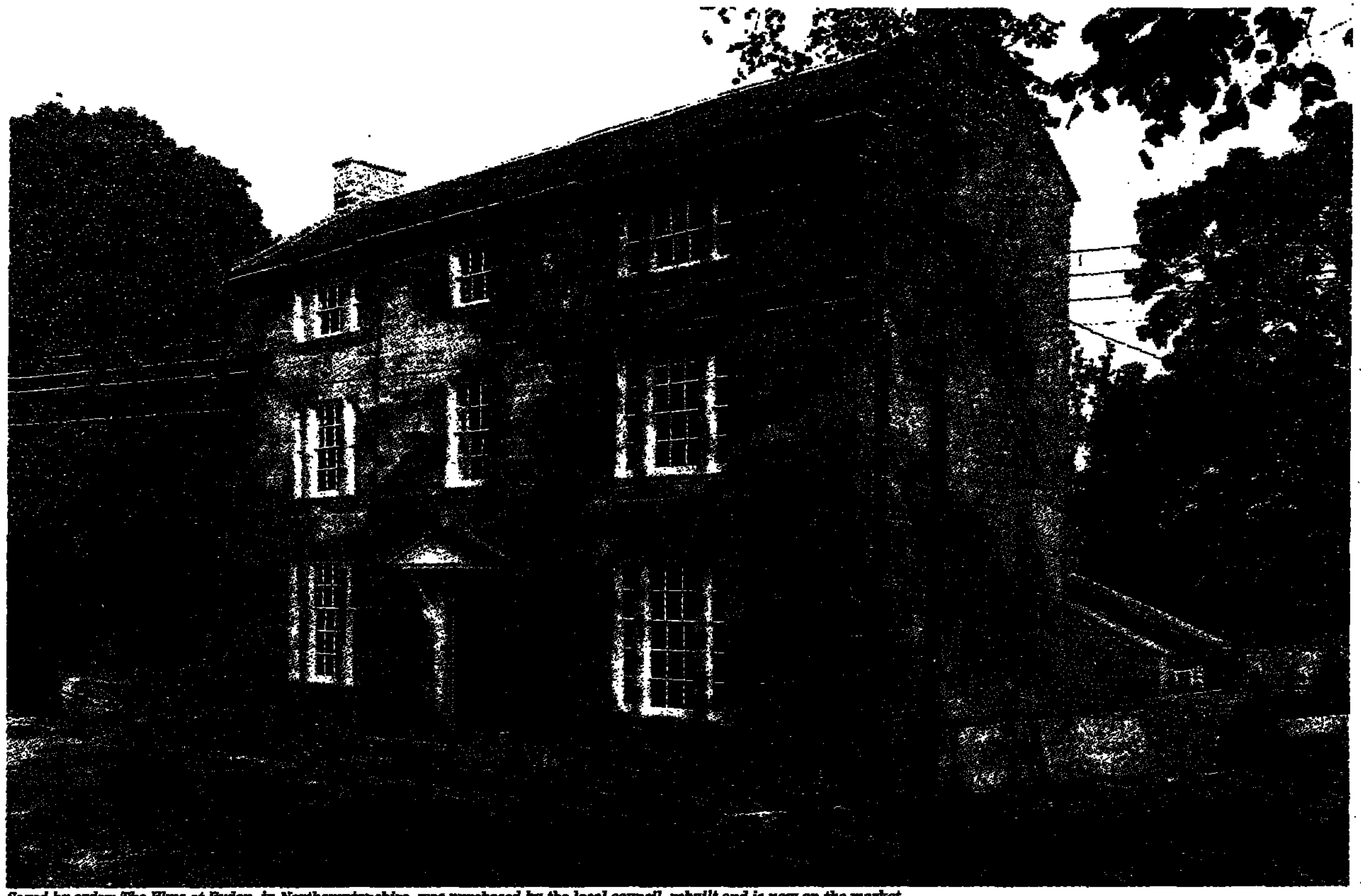
But the council thought the building worth saving. It tried to deal with the elusive owner and eventually served a Repairs Notice in 1988, requiring him to do the necessary work. When the time limit on that expired, they took a deep breath and served the sequel – a Compulsory Purchase Order – deciding to do the job themselves. It was a rare move in the fight to keep a fine house, but they will soon be rewarded.

The Elms at Eydon, a pretty upland village between Banbury and Daventry, is now safe and sound, and on the market at £225,000 with Savills (0295-263535). The new owner will get a handsome family house, 17th century with a smart 1830 front added to make a show on the main road to the important village of Woodford Halse. There is also a large old bakehouse that will make a fine place for grandmother, or a couple, and an overgrown garden best decribed as an opportunity.

What matters is that the house is now rot-free, reslated, retiled, and watertight. It is hard to guess what bad shape it was in when the council decided that, as the planning authority, it should not just tell others what to do but be seen to be doing it. "An excellent example of a local authority putting its money where its mouth is", said Charles Wagner of English Heritage which gave a £60,000 grant under its Buildings at Risk scheme.

The first job was to clear the rubbish fill from the cellar, revealing the wine bins. Then architect Andrew Brookes of Rodney Melville in Leamington Spa and contractors Marriott from Rushden, who both specialise in historic buildings, set about undoing a rabbit warren of little rooms that the reclusive owner had forced into the house. "The partitions went up as he retreated from the world."

The house gradually returned to its proper self. As the smell of rot dispersed, a diversity of spaces and heights appeared which will make it an exciting place for the new owner to finish. the council has wisely left it a shell building. All the important work has been done to the highest standards, and checked by both the council and English Heritage. Now completion and decoration await. It is an unusual opportunity to reclaim a period house as you want it, rather than gamely enduring the previous owner's notions.



Saved by order: The Elms at Eydon, in Northamptonshire, was purchased by the local council, rebuilt and is now on the market

Repairs Notices are rare, but councils are using them more under the Planning (Listed Buildings and Conservation Areas) Act 1990. If you own a deteriorating listed building, it is wise to know what is involved.

The philosophy is simple. Owners have a legal obligation to keep listed buildings in good repair. If they let them fall apart, the council can issue a Repairs Notice. This is two-fold: it requires specified works to be done forthwith to restore the building to its state when listed, and it is the preliminary in law to compulsory purchase. Usually the council does not serve the Notice until after it has tried every other way of persuasion. The threat of the Notice is an effective weapon. And if it is served, most owners comply quickly for fear of losing their property, though they can appeal to the magistrates court if the list of jobs seems excessive.

An alternative is the Urgent Works Notice, which does not lead to the ultimate sanction of compulsory purchase. As it may mean a smaller commitment and fewer legal costs for the council, some councils see them as the better solution. Their intent is to provide essential repairs for vacant buildings. Cherwell District Council is preparing one for Grimsbury Manor, a superb building on the edge of a Banbury industrial estate near the M40, which has planning permission to make it a corporate headquarters. But no work has been done and vandals are wrecking the place. It is essential to protect it now against the weather, or it will suffer as badly as The Elms.

If the council issues a Repairs Notice and the owner ignores it, the next relentless step is a Compulsory Purchase Order which the Secretary of State for the Environment must confirm, perhaps after an appeal (public inquiry). The council then acquires the building at a market value determined by the District Valuer on the basis of its use and condition. If the council shows that it has been deliberately neglected, compensation is minimal.

The owners lose their building, and can do little about it, as the House of Lords confirmed in the case of Willesborough Windmill near Ashford in Kent. In 1969 the owner bought this 100-year-old windmill, in use till 1938 and listed in 1951, to turn into a house. By 1983 it had deteriorated so badly that Ashford Borough Council issued a Repairs Notice. Little was left of the sweeps and the catwalk round the base of the mill had gone. When it came to the public inquiry, the owner said he was taking steps to preserve the building. As the Inspector concluded that that was not the case, the DOE confirmed the Order. The owner went to the High Court, Appeal Court and House of Lords, and lost each time.

If the council acquires a building in this way, it usually passes it on to a Building Preservation Trust, or sympathetic developer or individual, as Bob Kindred, Conservation Officer for Ipswich Borough Council, shows in his recent report on Listed Building Repairs Notices.

the council may be unique in doing the whole course itself from attempting negotiations, through Notice and Order, to repairs and sale. It is a lengthy process which will not be able to cope if too many of the owners of the 37,000 listed buildings English Heritage sees as "at risk" renege on the obligations of ownership. But at present it is clear that the councils have no lack of powers to safeguard listed buildings – though the money they need may be another matter – and have the backing of English Heritage.

Neither the DOE nor National Heritage has ordered any copies of Kindred's report, but National Heritage has issued a Repairs Notice, for a terrace building that was part of the Baths at Matlock in Derbyshire.

Owners, be warned. Look after what you own.

■ *Listed Building Repairs Notices by Bob Kindred £4 from the Association of Conservation Officers, 4 All Saints Rd, Ipswich IP1 4DG.*

GARDENING/MOTORING

Beating pests the natural way

***Arthur Hellyer** discovers a friendly way of dealing with unwelcome visitors*

A GREAT deal of natural biological control of insect pests goes on in the garden quite naturally and without any particular help from the gardener, except the obvious one of avoiding the use of chemical or other treatments that might be harmful to the beneficial organisms.

This is now well understood, and the great reduction in the usage of garden chemicals is partly due to the desire to preserve "friendly" creatures – such as ladybird larvae and lacewing flies – that are valuable scavengers in the garden.

What is not so well known is that some methods of biological control actually involve deliberately introducing organisms to the garden or greenhouse.

One of the oldest of these is the white fly parasite, Encarsia formosa, a tiny wasp which lays its eggs in the white fly scales that are attached to the leaves of infested plants, sometimes in great numbers. The encarsia eggs hatch into larvae which devour the scales, so preventing more adult white flies appearing from them.

This parasite is not a native of Britain and must be artificially introduced to the greenhouse in which there are white fly infested plants.

This is usually done by hanging up leaves that bear white fly scales already infested with encarsia and leaving them to develop into adult wasps, which will then carry on the good work.

In winter, due to lack of warmth and also of white fly scales to keep larvae fed, this parasite usually dies out and has to be reintroduced the following year. Of course, a parasite of any kind is dependant on its prey for its own survival and so can never eliminate a pest altogether but, hopefully, it can restrict it to tolerable levels.

A second predator that has been used with considerable success to control the greenhouse red spider mites is called Pytoseiulus persimilis. It is itself a mite, though of a different kind – one might say one that lives on meat rather than on vegetables.

Both the adult stage of this mite and the nymph devour adult nymphs and eggs of the greenhouse red spider mite. Again, if they do it too successfully, they will automatically destroy themselves since they have no other food supply.

More recently, a third predator has been added to this list of organisms that can be used to control

pests. This is a minute nematode – what gardeners often refer to as an eelworm. Some are quite large but this one, which feeds on the grubs of the vine weevil, is too small to be seen with the naked eye. Unlike the other two predators this one is native to Britain but is not present everywhere and most likely will have to be introduced.

The method of introduction is quite different. The nematodes are despatched in a moist, inert carrier and on arrival are mixed with water and applied as a drench to the soil that is infested with vine weevil larvae. These nematodes are as exclusive as encarsia and pytoseiulus in their feeding habits and present no hazard to any other organism, including human beings and their pets.

This parasite is marketed as Nemasys by Defender, a company that can supply other predators and parasites. The address is P0 Box 131, Ashford, Kent TN25 5TQ. Defender is a branch of Biological Pest Control, which supplies growers throughout the UK and Europe.

Both the adults and the grubs of the vine weevil damage vines and many other plants. The weevil eats the edges of leaves, giving them an unsightly, notched appearance, but the damage done by the larvae is much more serious, though largely unseen. They work underground, gnawing away at roots, and they attack many other plants beside grape vines.

This pest has been on the increase since the withdrawal of effective soil insecticides and so the introduction of the parasitic nematode is a real step forward. It needs a temperature of above 14°C to be fully active. It is effective outdoors until the end of September and under glass for a much longer period, even throughout the winter if there is adequate heating.

With most methods of biological control it is advisable to supplement the treatment with chemical control in certain circumstances.

Thus, with white fly one could use a pyrethrum spray or aerosol to reduce the number of white flies before introducing encarsia formosa, but there should be an interval of about seven days before the parasite is introduced.

The adult vine weevils are not directly attacked by the parasitic nematode but can be reduced in numbers with a spray of gamma HCH or pirimiphos methyl.

An excellent leaflet on these matters has been prepared by ICI Garden Products and should be available at most garden shops or direct from ICI, Dept. FF, Fernhurst, Haslemere, Surrey, GU27 3JE. Tel: 0428-645454.

Four wheels good, two wheels bad

***Stuart Marshall** on the merits of getting a grip on winter driving*

THERE IS nothing like the first snowflakes of winter to turn a motorist's thoughts to four-wheel drive. Tyres lose grip. Wheels spin uselessly. Cars pirouette or slide slowly into kerbs.

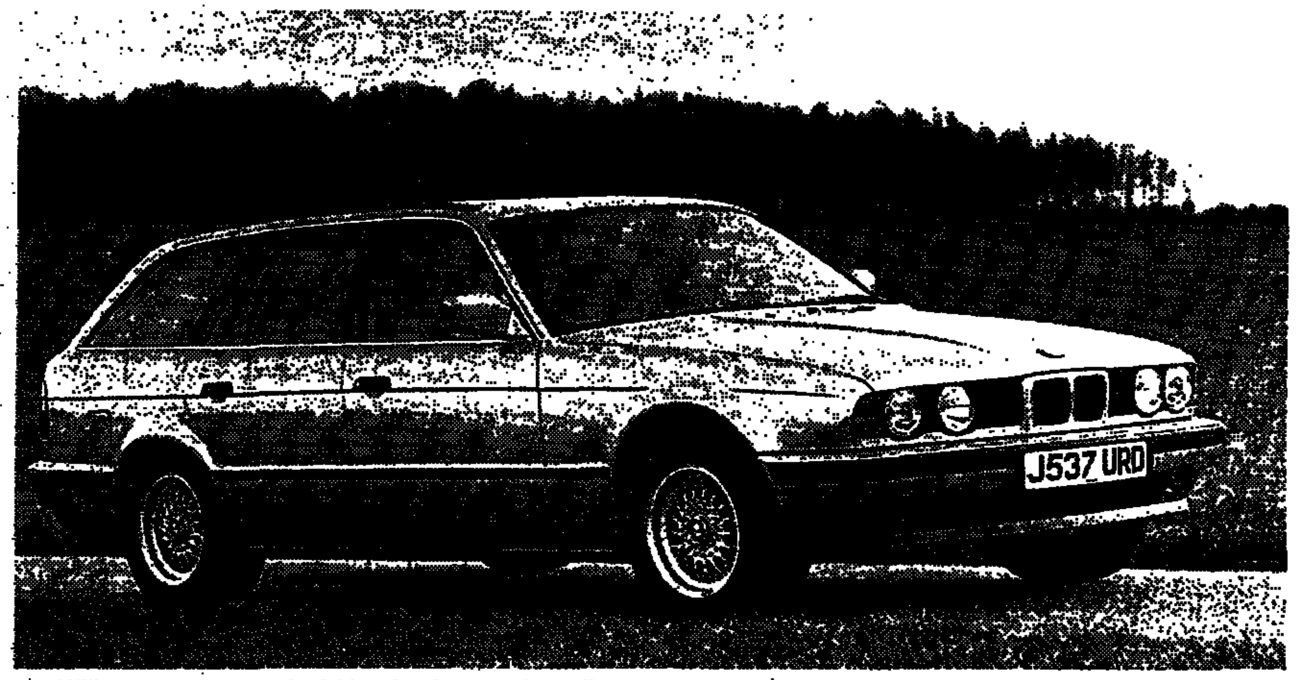
Family cars with fairly narrow tyres fare better than high performance models with ultra low profile tyres. Their treads, meant to resist the severe abrasion and heat build-up of very fast driving, can be next to useless in snow.

The really high performers also benefit year-round from all-wheel drive. It has a wonderfully calming effect when driving them on roads that are merely wet and winding, not covered with ice and snow. Strangely, many buyers who really need all-wheel drive only when their local roads are snowy for a week or two every winter go for the knobbly tyred, on-off road kind of 4x4s.

These are a compromise. To go well across country they must be high slung, have suspensions with a lot of vertical travel and transmissions with two sets of gears – one for the road, one for the rough stuff. If you think none of these features is of much use for driving on normal roads, whether snow-covered or not, you would be right.

If you are going to drive on rutted farm tracks, massive ground clearance is essential. But if not, most buyers would be better served all year round by one of a number of otherwise normal cars with part-time or full-time four-wheel drive.

There are a lot of them about, with prices starting from around £7,000 for a small Subaru Vivio or Justy hatchback. They go from front-wheel to four-wheel drive at the touch of a button on the gear lever knob.



The BMW 525iX Touring: four-wheel drive gives it super grip on slippery roads

One of the latest to reach Britain is the BMW 525iX Touring – "X" because it has an advanced and fully automatic four-wheel drive system. Routinely, the power is split 36 per cent to the front wheels, 64 per cent to the rears. But sensors monitor road speed and individual tyre grip. They can tell if the driver is accelerating or braking, instantly varying the power distribution to favour the tyres, front or back, left or right, with most grip. Full ABS braking is retained.

The £27,350 525iX with manual transmission has the muscle and refinement one expects of a BMW. Tyre grip was so good that brutal acceleration on wet and muddy roads caused no wheelspin. As a bonus, it clung to slippery bends as though stuck to the surface.

It would have been nice to have tried it on snow but I have not seen any in the south east of England for two winters and I pray this one makes it three. But four-wheel drive BMWs have been sold on mainland Europe for several years. When I was driving a Renault Espace Quadra over some exceedingly slippery alpine passes some time ago, the only car to overtake me was a Swiss-registered BMW. I was puzzled why a car with only rear-wheel drive was leaving me for dead. Then I glimpsed the 325iX badge on the boot lid as it stormed by in a cloud of snow.

The BMW 525iX Touring estate car with manual gearbox gave me 24.5 mpg (11.53 l/100km) during a week of motorway and minor road driving. A 5-speed automatic transmission is a £1,150 extra.

* * *

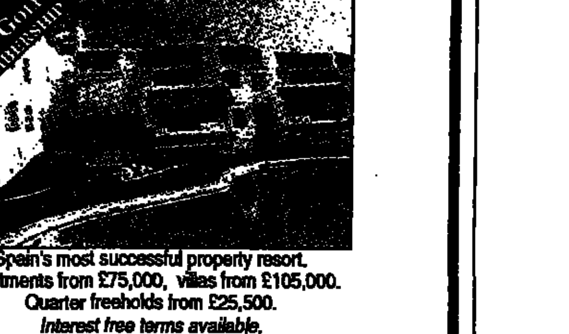
Driving the new £39,995 Range Rover LSE to Paris for the motor show earlier this month confirmed impressions received when I sampled it briefly in Wiltshire (this column, October 3/4). It was splendid on the autoroute, though a slight rumbling vibration at around 80 mph (129 kmh) dictated an equally quiet cruising rate of either 75 mph (121 kmh) or 85 mph (137 kmh). In the anarchy that prevails around Arc de Triomphe and on the dreaded boulevard périphérique, its bulk, solidity and commanding outlook were great assets.

The seats were comfortable, there was ample power to out-accelerate speeding small fry and I have no doubt it would have kept its end up on an autobahn. Due to its high gearing (only 2,750 rpm at 80 mph/129 kmh) the fuel consumption was 16.3 mpg (17.3 l/100 km). That was much closer to Land Rover's claim of a 17 mpg (16.6 l/100km) average than I had expected.

This time the pneumatic suspension made no heavy breathing noises; the level-maintaining air compressor ran silently.

The ride on smooth motorways was beyond reproach and it brushed aside the stretches of cobblestones still found in Paris. But I did not like its wriggly restlessness on the country roads between my home and Dover docks. I was surprised the cover had to be taken out before I could stow two golf bags in their trolleys in the load space. It is not as big as it looks. But the lengthened wheelbase provides rear seat legroom like a London cab's.

Land Rover says a lot of people buy a Range Rover instead of a BMW 7-Series, Mercedes S-Class, Jaguar or Toyota Lexus. I am sure they do, but let us be clear about one thing. A Range Rover is an *alternative* to a luxury executive car, not a direct substitute. Whatever its virtues – and it has many – it simply does not drive like one. For me, unless you intend to make use of its off-road cap ability or at least pull a two-horse trailer, it loses much of its point.



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TRAVEL

Practical Traveller

How to cope with India's railways

Where, when, how much. ***David Pilling*** *opens a series of travel advisories*

INDIAN Railways has enough track to wrap twice around the Earth and enough red tape to entangle a considerably larger planet. However, it remains an extraordinary way to explore the subcontinent – warts, beauty spots and all.

There are several options for the rail enthusiast. The first is simply to turn up in Delhi or Bombay and book each leg of your journey as the fancy takes you. This provides maximum flexibility but will thrust you into the heart of railway bureaucracy. You will need a timetable (*Trains at a Glance*, available all over India) and the patience of Mother Teresa.

Securing a reservation is always a problem. Try to go to the station at least a few days in advance; if nothing is available, ask if there is a tourist/VIP quota, or speak to the station superintendent. As a last resort, buy an unreserved ticket for any class, get on the train and ask the conductor about unclaimed reservations.

The hierarchy of carriage-classes is matched only by that of India's stratified social structure. With few exceptions, what you want are first class air-con or ordinary first class tickets for mail or express trains. Anything else is likely to be very cheap, very slow and very uncomfortable.

Sleeper carriages are more spartan than in Europe; bedding is available but you will need to ask for it. Better still, take a sheet sleeping bag.

An alternative to tackling this railway obstacle course unaided is to seek the advice of Dr Swaminath Dandipani, who runs S D Enterprises (tel: 081-903-3411) from a small office in Wembley, west London. Dr Dandipani is the sole UK agent for Indrail passes which facilitate unlimited nationwide travel, including sleepers. A seven-day first class pass costs a humble £77; 15 days is £94; 90 days: £274.

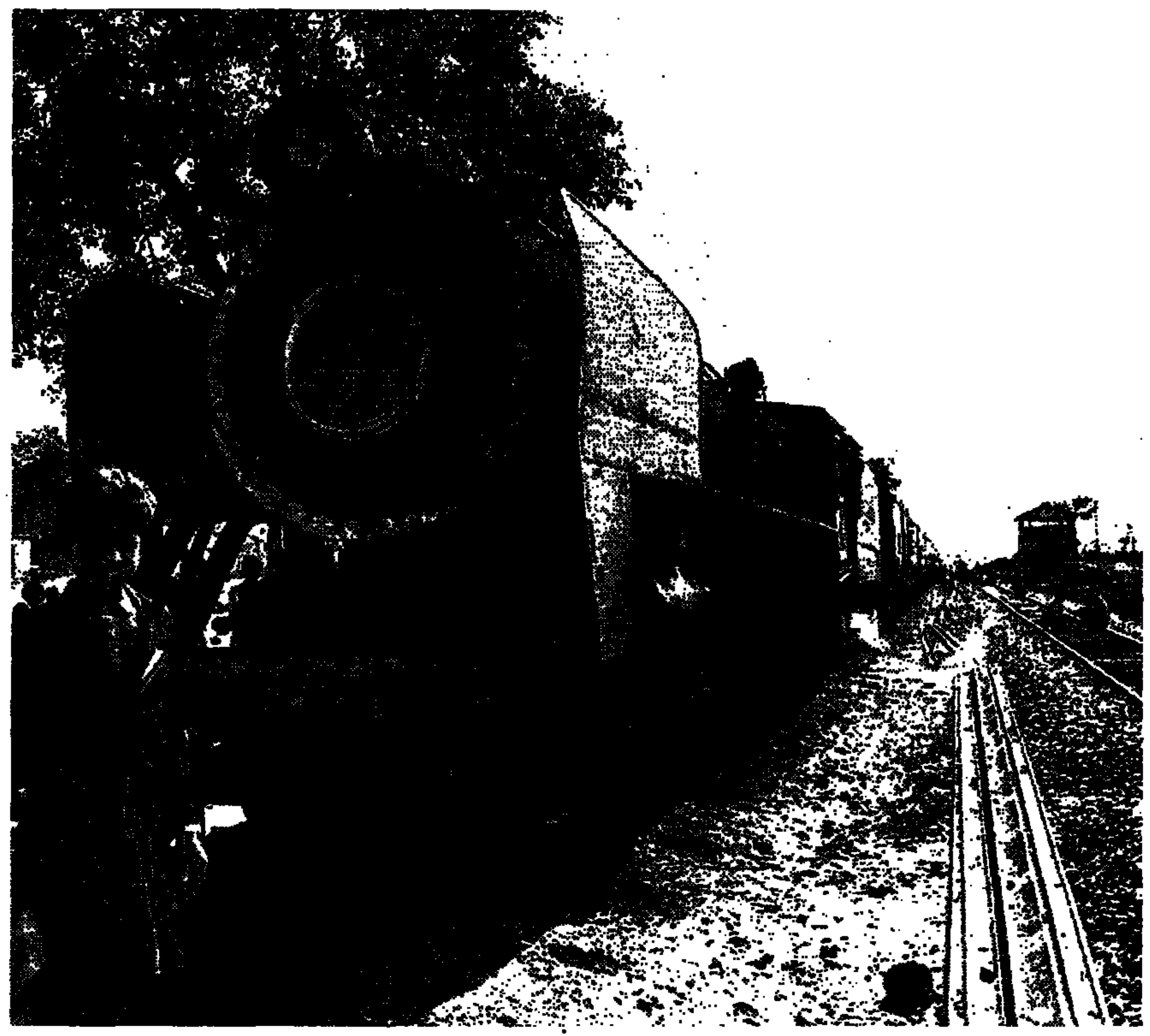
Dr Dandipani, who claims to have memorised the entire Indian rail timetable, will sort out an itinerary with you. All reservations are telexed through from London and neatly laid out on a computer printout. By all accounts the system is remarkably efficient. Dr Dandipani's service includes a list of 20 or 30 practical tips, including a reminder to take your own toilet paper and to drink 20 glasses of purified water a day.

The third option is to book a complete tour. Butterfield's Railway Tours (0262-470-230) has operated for 17 years, using its own refurbished carriage which is attached to local trains. The carriage, which accommodates up to 26 people, comprises two sitting rooms, a dining room, kitchen, washrooms and lavatories. There is even a library. Roy Butterfield, who runs the Yorkshire office, describes it as a "home from home", but insists his company provides a true picture of the subcontinent, shunning the more westernised version favoured by some operators.

Butterfield's runs two itineraries: the Great Indian Railway Tour, which covers, in a breathless 21 days, the 3,000 miles between Delhi and Cochin via Agra (for the Taj Mahal), Lucknow, Hyderabad, Bangalore, and a host of other cities and costs £775, flights not included; and, more leisurely and luxurious, the South India Tour from Madras to Bombay, which works out at £1,750 all inclusive.

More upmarket still are tours offered by Cox & Kings (071-931-9106). The Palace on Wheels, a sort of rolling re-enactment of the Raj, is run by Indian Railways and takes in the justly-famous sights of Rajasthan. The one-week schedule, which allows little time for exploration, costs £595, flights not included. Cox & Kings runs its own trip from Delhi to Calcutta on express trains, with stops including Agra, Gwalior, and Varanasi, the holy city on the Ganges. All-inclusive price: £1,455.

Cox & Kings and other operators, such as Abercrombie & Kent (071-730-7795), will organise bespoke tours incorporating train journeys. You might consider routes such as Quilon to Madurai, which starts on the humid Kerelan coast before climbing into the cool Cardamom hills; the toy train up to Ooty hill station (where snooker was invented), or the narrow-gauge Darjeeling Himalayan Railway. The latter is especially unreliable, but then that is half the fun.



Boy and train in Karnataka state. There are numerous options in India for rail enthusiasts

Tea and cake – then the earthquake struck

Mark Hodson *got more than he bargained for when he visited Banaue, in the Philippines*

AT THE bus station in Baguio City, four hard-faced Filipino drivers sat huddled around a table drinking beer. A sign on the wall said: "No sleeping on the tables." On the radio, Bruce Springsteen was singing *Born To Run*.

It was 6am. The town of Sagada was eight hours away by bus along the Halsema Highway, a narrow rock and dust track carved into the sides of the mountains 7,000 feet above sea level.

Our wooden-sided jalopy spewed out black fumes as it crawled up the first hill. At the top, we watched the sun peer over the mountains and bathe the rice terraces below with warm morning light. If the scenery wasn't breathtaking enough, there was always the driving. On downhill stretches our driver screamed around blind hairpin bends on the wrong side of the road with his hand on the horn and his foot on the gas.

I had picked up a hint about the standard of driving in the Philippines when, at the bus station in Manila, I was offered an insurance policy with my ticket to Baguio. For around 25p I could relax in the knowledge that if I were killed on the trip my family would receive about £5,000. Strangely, it did not make me feel any easier, but as the odds seemed generous I paid up.

Now we were in the heart of the central cordilleras, two days' hard driving out of Manila, where rebel ambushes, earthquakes and falling rocks would have made the idea of insurance ludicrous – and premiums prohibitive.

When we finally made it to Sagada, I found a lazy, one-street town in a small valley and surrounded by pine forests and lush terraces. But for all its beauty, this was bandit country – the last frontier between law enforcement and the rich cannabis fields of the north, controlled by the communist New People's Army.

I found a room in a guest house for £1 a night, and a café across the road that sold home-made chocolate cake. In the evening, at one of Sagada's two bars, I was cornered by a Filipino guide with one tooth who told me a girl from New Zealand had been involved in a road accident that day.

A bus from Banaue, the next town on my itinerary, had veered off the road and crashed down the side of a mountain. "She is in the hospital here," said the guide. "You can go and see her." I asked if she was badly hurt. "Oh, yes," he replied cheerily. "She's dead."

I nodded sagely, wondering how to make my escape when I was saved by the bell. It was 9.50pm, said the barman; we had 10 minutes to drink up and get back to our rooms before the curfew came into force. I went without argument.

I was woken by the sound of pigs squealing beneath my window. I stumbled out into bright sunshine where a young boy said: "Good morning, you want to buy some hash?" A gang of teenagers wearing bandanas, basketball shorts and flip-flops swaggered up the street with rifles slung over their shoulders. I asked the boy if they were rebels. He grinned: "No man, that's the army."

After breakfast at the Shamrock Café, I set off to find Sagada's hanging coffins, a collection of unusual graveyards said to lie on the outskirts of town. Along the main street, men in tribal skirts squatted outside thatched huts sharpening long knives while families sold cakes and Coca-Cola from their metal-walled houses.

I stopped several times to ask directions but the children just giggled and the adults waved vaguely at the hills ahead. After an hour of aimless wandering I was on the point of giving up. Then I looked up and saw them, clusters of rough wooden coffins lodged in cracks and crevices high in the sheer rock faces.

I walked further and found other unmarked coffins carved out of tree trunks and placed in piles at the mouths of caves. These strange tombs were built by local tribespeople who believed the dead souls would return to the Earth's core. The custom has been abandoned and some coffins prised open, possibly for the benefit of tourists, to reveal greying skeletons draped in tattered cloth.

The trip to Banaue was by jeepney, a brightly-painted minibus converted from an old American troop carrier. Just two jeepneys a day made the trip, one at 6am and the other at 6.30am.

We stopped three times on the way: once to buy breakfast of pancakes and coffee, and twice at army checkpoints on mist-covered mountain tops. The road into Banaue passed some of the most dramatic rice terraces in the world. Whole hillsides had been carved into horizontal slices.

It has taken the people of the Ifugao tribe 2,000 years to build these terraces, step by step from the ground up, using bare hands and primitive tools. Engineers have come from around the world to study the sophisticated irrigation system and marvel at the 12,000 miles of mud walls.

I spent two days in Banaue exploring the terraces, walking for hours in the clear mountain air, losing my way and finding it again. On the afternoon of the second day I went to a café in town. I was sitting with a cup of tea and slice of cake, nursing my blistered feet, when the earthquake struck.

First, my cup started shaking on the table. I looked down and saw the table shaking; then I looked up to see that the whole building was shaking. I ran into the road to find the population of the town there already, looking very worried.

The quake lasted about 15 seconds, maybe less. It seemed longer. There was no structural damage, just a few vegetable stalls upset, pictures knocked off walls. It had measured 5 on the Richter scale. At the epicentre, in Baguio City, it reached 5.7 and left 25 people injured. I was told it was the worst earthquake since one three years earlier which had measured 7.7 and killed 1,600 people across the region.

Two hours later the rains came, torrents of water battering the houses and flooding the streets with mud. As the storm raged into the night, I cowered in a café drinking beer with an English teacher from Hackney. Every now and then a loud rumble would echo through the valley and we would freeze in terror, tensed for another earthquake, then burst into wild laughter when we realised it was only thunder.

Next day, life had returned to normal. The air had cleared, the ground was drying out, people were laughing. I squeezed into a bus packed with farmers, sacks of rice and live chickens and took a bumpy 10-mile ride higher into the hills. The driver pulled up at a steep footpath beside the road and pointed me towards Batad, my next stop.

It was a two-hour walk to the top of the hill. Below, a patchwork of terraces stretched over the valley floor and up the sides of the surrounding mountains like a huge green amphitheatre. In the middle lay Batad – two dozen Ifugao huts and one concrete house dotted around a tiny church with a rusted tin roof.

Two small boys in torn shirts led me down the hill, along the tops of dry stone walls and through dusty back yards. We arrived at the concrete hut where a woman called Christina showed me to my room. It was 20 pesos a night and there were no other guests.

Rice is everything there. I slept with rice fields all around and in the mornings I was woken by the sound of rice being pounded in mortars carved from tree stumps. I spent my days on Christina's terrace watching children wash clothes on the rocks while women prepared meals and their husbands crouched around bottles of *tupuy*, a throat-searing rice wine.

In the evenings, the palm trees filled with fireflies. After dinner, Christina's 10-year-old daughter and her friend would sing tribal songs and dance in the glow of a kerosene lamp.

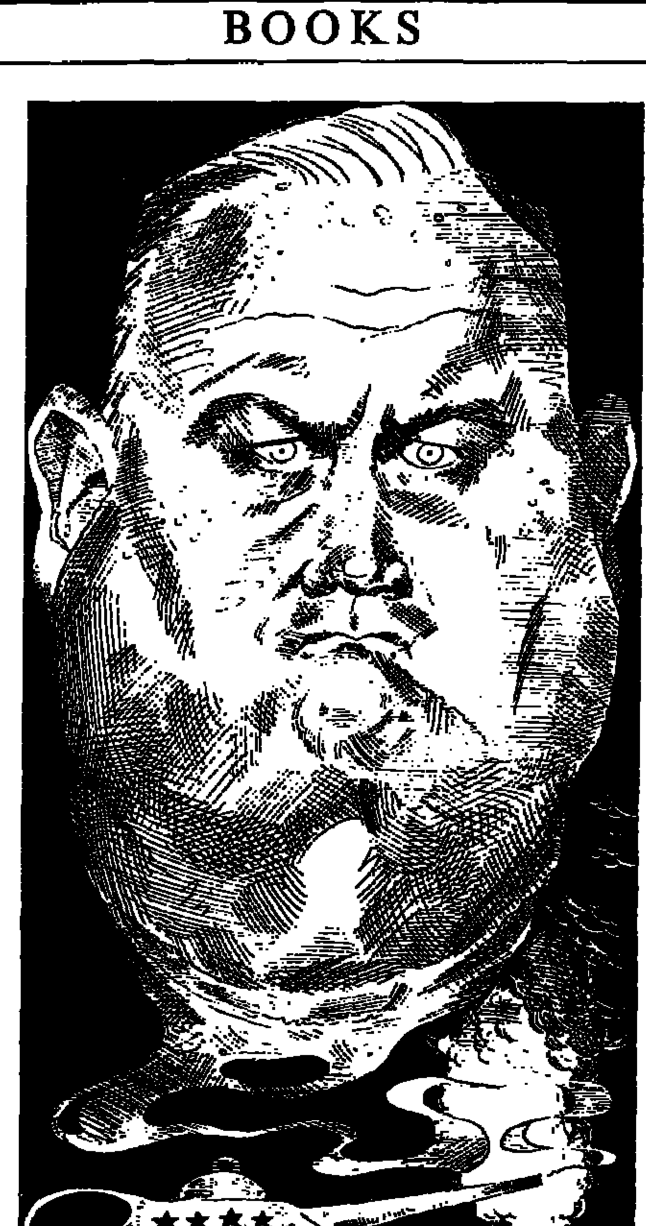
Spanish missionaries converted the Ifugao to Catholicism and on Sundays the families went to church and sang haunting hymns that could be heard across the valley. But these people still practise head-hunting. Although their ancient disputes with neighbouring villages have long been resolved, decapitation is still considered a legitimate way of righting a wrong. In 1977, a bus driver who ran over and killed a child was seized and summarily executed.

Head-hunting is not the only tradition that has survived in Batad. The villagers still worship Bulul, a rice god, and nail the skulls of slaughtered pigs to the walls of their huts to ward off evil spirits. There were some parts of the soul that not even the conquistadors could reach.

Banaue: some of the rice terraces are 2,000 years old

Stormin' Norman: maverick insider

***Alain Cass** on a man who has no ambition to rescue the US government either as God or Santa Claus*



P.J. O'ROURKE'S shorthand theory of American politics is that God is a Republican, because he stands for rules and regulations and the ethic thing, and Santa Claus is a Democrat, because he likes giving people what they want.

What would the humorist make of Norman Schwarzkopf? God or Santa Claus? Democrat or Republican? It is very hard to tell, and his autobiography *It Doesn't Take a Hero* gives away few clues.

For now, the question is academic, at least if the hero of Desert Storm is to be taken at his word. "I don't want to be president" he has said repeatedly. "I did Washington five times. Each time I liked it less." But Schwarzkopf has not said he will not run, not in so many words. He has also hinted, with uncharacteristic coyness, that there are some public positions he would accept. But he will not say which. Nice one, Norm.

It is tempting after reading General Schwarzkopf's memoirs, skilfully ghosted by Peter Petre, to imagine that, were George Bush consigned to oblivion and Bill Clinton prove unequal to the task of leading the US out of recession and self-doubt, Schwarzkopf might be called on to resurrect the American dream by one party or another, or conceivably both. There are precedents.

Not that the book suggests somebody who hankers after high political office. On the contrary, Schwarzkopf betrays a healthy contempt for politics and politicians whom he appears to regard mostly as meddlesome fools. But the race for the White House gives this book an added edge. Whatever else it may be, the book is not a distinguished military history, nor does it shed new light on the two great events in which he played a part – Vietnam and the Gulf War.

Schwarzkopf's views on the American experience in Vietnam, where he served twice with great distinction, are curiously blinkered. His account of his two tours of duty provide a great read but no attempt is made to ask why America lost or what drove the Vietnamese in the south to revolt, which is surprising for someone whose feel for Arab sensibilities was later to prove vital in cementing the coalition which defeated Saddam Hussein. Schwarzkopf emerges as a doer, never a doubter.

"My view of the Vietcong never changed," he writes "I saw them as opportunistic brigands who oppressed the peasants, stole their money and crops and bullied them into cooperation."

This is an intensely personal autobiography of a tough, astute and ambitious soldier with a strong streak of independence and even romance about him. Someone who does not buck the system but bends it almost to breaking-point to get what he wants; a maverick insider, a political *ingénue* savvy enough to cut a deal with the best of them.

IT DOESN'T TAKE A HERO: THE AUTOBIOGRAPHY OF GENERAL H. NORMAN SCHWARZKOPF
written with Peter Petre
Bantam Press £17.99, 526 pages

As he works his way up the ladder to four-star general Schwarzkopf provides a fascinating insider's account of the Buggins' turn system of promotion in the US army. He hates patronage but knows how to exploit it when he needs to.

His childhood seems to have prepared him well for the loneliness of high command. He travelled with his father, who was also a high-ranking soldier, and learnt to deal with the pain and humiliation of his mother's alcoholism with private anger and public dignity. He emerges as a thoroughly decent man who has made his way with an attractive blend of homespun wisdom, steely toughness and a certain charm.

There is a wonderfully evocative passage in which he describes how, in 1946, his father was sent to help the Shah of Iran consolidate his hold on power. The young Schwarzkopf slept under open skies on the roof of their villa in Tehran, waking at dawn to the chants of the muezzin chanting the call to prayer, punctuated by the sound of camel caravans and rug merchants tramping past their door.

The book, as one would expect, provides a taut insider's account of what went on behind the scenes in the preparation and execution of the campaign to kick the Iraqis out of Kuwait. It is remarkably indiscreet and detailed in places. Schwarzkopf, or his minions, must have been taking so many notes of the great man's every exchange that it is surprising they ever got round to winning the war.

While Schwarzkopf may not have thought too deeply about the political meaning of the Vietnam experience, he certainly learnt the military lessons of that humiliating defeat and, on a smaller scale, the botched invasion of Grenada in 1983 in which he played a hitherto unrevealed but crucial role. It was this: if American lives were to be risked in battle there should be no corner-cutting. There would have to be enough troops and weapons to the do the job with the minimum casualties. *Nothing but the best for his boys.*

His testy exchange with his boss General Colin Powell on February 20 as pressure for an early start to the land war grew from a gung-ho political establishment in Washington DC, and the weather forecast in the Gulf looked inauspicious, gives the flavour.

Powell: "We need to get on with this."

Schwarzkopf, pleading more time to prepare: "I'm not trying to be a smart-ass . . . but what if we take lots of casualties?"

Powell: "Don't patronize me with talk of human lives"

The book is at it strongest when Schwarzkopf is in action and here it sets a rollicking pace: how, under enemy fire in Vietnam, he saves a black GI who had stepped on a mine; how he knocks one of the US army's worst battalions into shape; how he cajoles and flatters his insecure and ultra-sensitive Islamic Saudi hosts into tolerating an infidel army complete with female GIs and ghetto-blasters on holy soil.

It's all good stuff as far as it goes. An appropriate testament to a genuine American hero. Whether it turns out to be his calling card for the White House as a Republican or a Democrat, remains to be seen.

Hitler's poodle fails to bark

***Zara Steiner** reviews a new biography of the Führer's foreign minister, Ribbentrop*

RIBBENTROP'S ascent to power was amazingly swift for a successful importer of foreign wines who patronised the arts and counted Jews among his best customers and closest friends. Prodded by his domineering, ambitious and much loved wife, he joined the Nazi Party in May 1932 and was almost immediately recruited for a diplomatic career for which he had neither the intelligence nor the social graces needed for success.

Ribbentrop was mocked by professionals, intrigued against by the Nazi leaders with whom he constantly quarrelled and was disliked by subordinates whom he bullied in the best Hitler-like manner. His pomposities and formalities made him a heaven-sent subject for the cartoonist David Low. Ribbentrop's inefficiencies as well as his rudeness, a disguise for a hardly concealed sense of inferiority, estranged him from the senior officials at the foreign ministry.

Apart from Wolfgang Michalka's authoritative *Ribbentrop und die Deutsche Weltpolitik, 1933-1940* (Munich, 1980), there are no full-scale studies of Ribbentrop's life. Michael Bloch, known for his books on the Duke of Windsor's wartime activities in which Ribbentrop played an important part, has set out to fill this void using an array of printed sources and memoir material. There are rumours of an unexplored collection of Ribbentrop private papers but it would be surprising if Bloch's portrait would need serious retouching. Readers will find scattered nuggets, including a fascinating photograph of Ribbentrop and Hitler at the Berghof. There are some

RIBBENTROP
by Michael Bloch
Bantam Press £20. 528 pages

trivial and comic inclusions but also others such as Ribbentrop's part in the 1943 Soviet-German peace talks of more serious interest.

Bloch leaves us in no doubt that Ribbentrop's value to Hitler lay in his condition of servitude. The defendant was being honest when he told the judges at Nuremburg that he only reported to Hitler who in turn gave him his orders. Even when pursuing ideas of his own, Ribbentrop would seek the Führer's assent, reversing course at the very first sign of disapproval.

Unwilling to take in the reality of the Final Solution, Ribbentrop left the foreign ministry's dirty work in the hands of Martin Luther, a protégé of both Ribbentrops. But a per-

Ribbentrop: pompous

sonal rebuke from Hitler immediately ended the foreign minister's period of "wilful ignorance." His instructions for the rapid evacuation of foreign Jews provided the evidence for one of the Nuremburg charges made against him. How different life would have been for Ribbentrop had he never fallen under Hitler's spell.

Bloch argues that despite his servility, Ribbentrop could and did influence Hitler's policies. His extreme anglophobia, the product of failure in London, and his assurances that Britain would not fight fed Hitler's misconceptions in the summer of 1939. Ribbentrop's mania for alliances found fruition in the short-lived Nazi-Soviet pact and in the much sought but much delayed Tripartite Pact of 1940. The foreign minister used his control over the flow of information to protect the Führer from unpleasant truths compounding the latter's errors of judgment. Ribbentrop's powers of persuasion were always limited by the fear of upsetting his leader. This explains, for instance, why he did not press for a Russo-German truce after Kursk. Even in the dock at Nuremburg, Ribbentrop's faith in Hitler's judgment remained unshaken.

There is really little new to be said about Ribbentrop's role in the Nazi débâcle or about his inadequacies as Hitler's foreign minister. But the limitations of this biography have more to do with its subject than with its author who writes with considerable verve and a sharp eye for the memorable anecdote and quotation. Bloch has tried, and with some measure of success, to breathe new life into this wooden figure. It is Ribbentrop who resists resuscitation.

Fiction/Stephen Amidon

Deadly campus game

DONNA Tartt's first novel, *The Secret History*, is a frustrating, potentially brilliant book whose every strength seems to be balanced by a flaw. Throughout this dauntingly long work, wit is tempered by cloying pretension, while narrative sweep is constantly caught up on verbosity. The result is a novel that is hard to put down, but harder still to pick up once you do.

The story takes place on the Vermont campus of mythical Hampden College. The narrator, Richard Papen, arrives from the wastelands of suburban California, eager to study Classics. He soon finds himself part of an elite group of eccentric students overseen by a puckish professor, Julian Morrow. The head boy, Henry Winter, is an enigmatic, melancholy genius who translates Milton into Latin as a pastime. Also in the group are the effete Francis Abernathy, as well as Camilla and Charles Macaulay, twins who Richard soon suspects might be maintaining their prenatal intimacy in bed. Finally, there is Bunny Corcoran, a big, shambolic preppie who seems oddly out of place in this dead poet's society.

Despite the glittering façade, everything is not as it seems with this seemingly perfect squad of privileged young scholars. They have in fact been up to some very nasty extra-curricular activities in the Vermont woods, trying to recreate the Dionysian bacchanals they have studied. In the course of their frenzy a heinous crime is committed, leading to all manner of friction among them until, finally, one of their number is murdered by the rest.

Despite a turgid first 100 pages, *The Secret History* soon develops an undeniable momentum, though not of the sort one would expect – from the opening line we know who the victim is to be. The novel's suspense stems instead from figuring out why he gets it and then watching as guilt and remorse set to work upon the survivors. Tartt gambles boldly by giving us her story's climax up front – the result could have easily been a 200,000-word dénouement. Instead, the book's drama comes from its comprehensive depiction of corruption, followed by a complex study of the dynamics of remorse. The more superficial question of whodunit is replaced by the more profound one of why.

THE SECRET HISTORY
by Donna Tartt
Viking £15.99 (£9.99 pbk) 525pp

Unfortunately, the answer Tartt provides is marred by a fundamental silliness. Bacchanals in the Vermont woods? Is she serious? If the author believes she needs such a basis for her story, she would have been far wiser to find its modern equivalent than in having her characters running around in togas, trying to invoke the spirit of a Greek deity before hopping into their BMWs and heading back to the dorm. It makes them seem preposterous and undermines the otherwise powerful drama that ensues.

Tartt's book is also subverted by pretension and overwriting. Perhaps this could be excused because her narrator is a callow, bookish undergraduate, but 500 of lines like "I thought (erroneously) that he dressed like Alfred Douglas, or the Comte de Montesquiou" tend to get under the skin. Erroneously? Then why mention it? To send us scurrying in admiration for our biographical dictionaries? There is also an annoying tendency to pepper the narrative with Greek and Latin phrases (which are dutifully translated for us). It is a shame, because in other places Tartt writes like a peach, especially in the latter stages of the book, where the nightmare of inescapable remorse takes over Richard's life.

Most first novels are flawed and after a while the reviewer learns to take these mistakes in stride. For two reasons, this is hard to do with *The Secret History*. First, the flaws come from authorial condescension rather than inexperience and uncertainty. Nobody likes to be talked down to, especially by a 28 year old who has just sold her film rights for a half million bucks. Second, and worse, the book's flaws work directly against its strengths, robbing such an impressive talent of its sting. Let's hope next time Tartt does not feel she has to try so hard to show us what a clever girl she is. After all, the cleverest thing a writer can do is make the enthralled reader forget she is there.

FT Childrens' Book of the Month

In the steps of Daniel Defoe

IN SPITE of the fact that there will be more than 6,000 new children's books published in the UK this year, the majority of the authors who write for this audience move about the world incognito. Newspapers seldom single out their books for attention; and the winners of even the most prestigious awards for children's literature are consistently absent from our television screens.

THE GREAT ELEPHANT CHASE
by Gillian Cross
Oxford University Press £8.95, 193 pages

Consider the case of Gillian Cross, whose last novel *Wolf*, a sparely written and compelling psychological thriller for children of 10 and above, was the winner of last year's Carnegie Medal, the most important literary prize for children's books. It was the sixth time that one of her books had been on the short list (of six *à la* Booker). This suggests that her work is of an unusually high quality; and yet how many people have even heard of her?

The psychological thriller has been her hallmark – earlier books have included *Roscoe's Leap* (1987) and *A Map of Nowhere* (1988); but she has also written very successfully in other areas too. *Chartbreak* (1986) was a contemporary love story, set in the world of a punk rock band; *The Demon Headmaster* (1982) had troubling political overtones.

Her new novel, *The Great Elephant Chase*, is set in America in the middle of the 19th century, and it is a pastiche of sorts, reminiscent of Twain and Melville, a spirited, hectic tale full of frontier spirit and brisk, telling detail.

A spirited, hectic tale: Jennifer Webb's cover illustration

The showman Michael Keenan has devised a sure-fire way of making money fast. With the help of an Indian elephant, itself something of a marvel in that part of the world, he is making his way west through the small towns of Pennsylvania, selling bottles of a "miracle-working tincture" to incredulous crowds who gather to gawp at his marvellous beast. The trick is simple: Keenan plants a "crippled girl" in the crowd (in fact, it is his own healthy daughter, Cissie); the elephant seizes her in its trunk to the accompaniment of gasps of horror and amazement, and upends her in the air. When she lands, she is in a faint – or perhaps even dead. Then Keenan steps up with a spoonful of his miraculous cure – and the girl is restored to life. The whole crowd seethes around him, desperate to buy.

Unfortunately for Keenan, he is being pursued by the sinister Hannibal Jackson who, suspecting trickery threatens blackmail – unless Keenan will agree to sell the animal. Keenan refuses, of course, and escapes by night. Then disaster strikes. Keenan and Cissie's sister are killed on the railroad; Cissie and the elephant survive. Jackson then reappears, claiming that Keenan had signed a paper before his death, selling him the beast. Cissie refuses to accept that her father would do such a thing, and she escapes – with Jackson and his fiance in hot pursuit. From this point on, the book turns into a breathless chase west – by land and river; flatboat, coal barge and paddle steamer.

Cissie travels with Tad, a young orphan whom her father had hired as an elephant boy, and the twosome sweat it out together on the river like Tom and Huck before him. And throughout the whole of their long, wearying journey, Cissie, ever optimistic, cherishes the childish, magical hope of reaching the woman she writes to every day, the mysterious Ketty who lives somewhere way out west in Nebraska, in a white frame house with a cool, green garden.

Daniel Defoe would have found much to admire in this book – the author's careful attention to the fascinating practicalities of survival, for example; and even the way in which the map that serves as the book's frontispiece enables us to trace with our finger the fleeing travellers' long and convoluted journey all the way from the imaginary town of Markle in Pennsylvania to Pittsburgh; and from there down the Ohio river and the Mississippi and the Missouri.

The provision of a map is an appetite-whetting device, of course; and it is usually, as in this case, some kind of guarantee that the author has done her homework. And the journey itself, while an arduous physical one, is also a trek from childhood to maturity; from ignorance to self-knowledge. Gillian Cross is an optimist at heart; but it is an optimism purged in the fires of endeavour.

Michael Glover

Rogue males on stage

PETER O'Toole's jottings cover his years from about five to somewhere in his twenties, but not in any order. There are affectionate notes on his life with his father, an itinerant bookie; about his unprofitable visits to schools, his employment on a local newspaper, but not what he did there; we have rough sketches of National Service in the Royal Navy, some notes on rugby. He seems to have enrolled in RADA almost by accident. There are pages about Adolf Hitler, whom he subsequently shot in the BBC's *Rogue Male* and who was one of his early obsessions, like the knight Sir Yvain and the wizard Merlin.

It is likeable enough, but there is hardly anything about the theatre, which is what makes O'Toole interesting.

Alexander Walker's *Fatal Charm: The Life of Rex Harrison* is another matter. A comprehensive account of Harrison's work on stage and film is strung around his six marriages, one of which, and one of his incidental affairs, led to a suicide.

LOITERING WITH INTENT
by Peter O'Toole
Macmillan £14.99, 198 pages

FATAL CHARM
by Alexander Walker
Weidenfeld and Nicolson £18.99, 457 pages

Harrison, a splendid actor, was a less splendid citizen. With the wealth he earned, he made himself increasingly "upper-class" and increasingly self-centred, with insistent demands on casting. He served with the RAF in the war until the spring of 1944. At this period he left his first wife, Collette Thomas, and began an affair with Lilli Palmer, whom he married six months later. From here on his acting career was a virtually unchecked line of film and stage success: his marriages, not.

An affair with Carole Landis ended with her suicide. Divorced from Lilli Palmer, he married Kay Kendall, but she died of leukaemia after two years. He played opposite Rachel Roberts and duly married her. She became mentally unstable, and there were attempted suicides. They ultimately divorced and he set up house with Elizabeth Harris and her three children. This was not his scene; separation and divorce followed, and he settled down with Anglo-Asian Mercia Tinker, who survived him.

Walker gives much authentic detail of Harrison's personal unpleasantness and his dramatic success, most vividly recalled in his Henry Higgins in *My Fair Lady*.

B.A. Young

Life on the Red Planet

NO shimmering light in the night sky has exercised the human imagination so tirelessly as Mars. Al-Qahira, Ares, Harmakhis, Mangala, Nirgala, Aquakuh, Huo Hsing are a few of the haunting names by which the red planet has been known.

Only since the Mariner probes and the Viking lander missions of 1976, however, has it been possible to speak accurately about the planet's surface and geography. In a tiny but significant way, humankind has even begun to modify the surface of Mars, as the photos of shallow trenches in the red dust scooped out by the Viking landers demonstrate.

Now Kim Stanley Robinson has written the first novel about the prospective colonisation of the crimson planet. Mars itself, in its many moods, is the central character in this curiously absorbing book. If Mars is ever colonised, then it will surely happen very like this. The novel's chronology sets the first manned mission as early as 2020.

The sheer weight of detail concerning the geography, geology and climatology of Mars which the author has assimilated is impressive, and the efforts of the colonists to transform the planet's poisonous carbon dioxide atmosphere and harsh extremes of temperature into an environment fitted to human life are fascinating because utterly plausible.

RED MARS
by Kim Stanley Robinson
HarperCollins £14.99, 501 pages

Mars has, for instance, a canyon system as extensive as the entire US, cliffs 20,000 ft high, and volcanoes three times as tall as Everest. The planet's Great Escarpment is marred by old craters, overrun by lava, broken into hummocks and karsts and ridges, channels caused by giant floods from underground seas which burst onto the surface and flowed at rates ten thousand times that of the Mississippi.

Kim Stanley Robinson has said that solitary travelling in wilderness territory provided the inspiration for many of the descriptive landscape scenes of this work, and it shows. *Red Mars*, the first volume of a planned trilogy, is the product of a imaginative love affair between the author and the Earth's nearest planetary neighbour.

Martin Mulligan

ARTS

Obituary

Sir Kenneth MacMillan

SIR KENNETH MacMillan, principal choreographer of Royal Ballet, collapsed and died backstage at Royal Opera House, Covent Garden, on Thursday. He was aged 62.

One of the most influential as well as the most challenging of modern choreographers, MacMillan sought throughout his career to extend the boundaries of classical dancing so that it might reflect the psychological climate of his time. He gave ballet, and especially the repertory of the Royal Ballet, a new seriousness, and an emotional honesty rare in an art which he found to be often no more than "window-dressing" when he started his career as a young dancer with the Sadler's Wells Ballet.

Kenneth MacMillan was born in Dunfermline on December 11 1929. His childhood was, as he said, emotionally distressing, and dancing became a means both of expression and of escape. He applied for admission to the Sadler's Wells Ballet School, and his first stage appearance was in the production of *The Sleeping Beauty* with which the Sadler's Wells Ballet reopened the Royal Opera House, Covent Garden, in 1946.

MacMillan's professional experience came initially as a member of the Sadler's Wells Theatre Ballet which Ninette de Valois established at this time as a nursery for talent. Here MacMillan was recognised as a gifted classical dancer and a performer of fine romantic presence, and he moved between this "second" company and the Opera House troupe, memorably seen in Balanchine's *Ballet Imperial* as well as in roles created for him.

But he became increasingly unhappy as a dancer, and in the early 1950s he made his choreographic debuts in workshop performances. These revealed undoubted talent, and it is not without significance that his earliest choreography, *Somnambulism*, dealt with dreams and emotional unease. His first professional work, *Danses Concertantes*, was seen at Sadler's Wells Theatre in 1955. A dazzling display of inventiveness by a young man intoxicated with movement, it told of an outstanding creative gift.

There followed a series of commandingly assured pieces for both halves of what was now the Royal Ballet. Yet even in these early productions MacMillan was seeking a way towards a more expressive movement language, and a style that reflected the psychological awareness of the current cinema and theatre.

The Invitation in 1960, which dealt with adolescent sexuality and marital unhappiness, identified the seriousness with which MacMillan could explore the human condition, and his skill in finding dance imagery to expose feeling. *The Rite of Spring* (1962) showed his ability to handle large forces; and with his celebrated realisation of *Romeo and Juliet* in 1965, MacMillan displayed a mastery of that full-length creativity which was to be recognised as central to the identity of The Royal Ballet.

In the following year MacMillan was invited to become director of the ballet company at the Deutsche Oper in West Berlin. He was joined there by Lynn Seymour, whose outstanding lyric and dramatic gifts were admirably attuned to MacMillan's ideals. He was to make many roles for her during the two decades of their artistic association, including Juliet, and in Berlin she sustained both the classical repertory which he re-staged, and his one-act creation *Anastasia*.

In 1970 MacMillan was invited back to London to assume the directorship of The Royal Ballet. The next seven years were not easy for him. He was both administrative director and chief choreographer, though he invited several other creators to work for the company.

The failure by certain sections of the press to understand the full-length *Anastasia* which he produced in 1971 wounded him, and some of his work at this time was given a mixed reception – even *Manon*, which has won a lasting place in the repertory, was initially misunderstood. Nevertheless, under his guidance, the Royal Ballet was a strong, secure ensemble.

In 1977 MacMillan retired from the directorship in order to concentrate upon creativity, and his staging of *Mayerling* in the next year was proof that, freed from the weight of administration, he was able to produce a new grandly-scaled work of exceptional power.


The master choreographer

His shorter ballets throughout this time asserted his continuing concern with shaping a dance language that could touch the most serious concerns of the human spirit. Works as varied as *Requiem*; *Song of the Earth*; *My Brother, My Sisters*; *Valley of Shadows* and *Winter Dreams* told of MacMillan's rare imaginative force in devising *movement*. With the full-length *Isadora* of 1981 he essayed a bravura portrait of modern dance's Earth Mother in the framework of a daring staging. With *Prince of the Pagodas* (1989) he paid tribute to the ideals of Petipa's classicism which were the bed-rock of his own craft.

In all his work MacMillan was guided by a notable sense of integrity. He would not, could not, compromise either his talent or his beliefs about the nature of ballet and his duties towards the Royal Ballet. He understood choreography in the larger context of the theatre, and wanted ballet to be clearly part of that theatre. His ability to clothe the psychology of his characters in ravishing, or searing, or haunting movement, was always theatrically vivid. His fascination with movement, and with its expressive potential, was a constant of his creative life. As an analyst he could probe unerringly into a personality; it was our ballet's good fortune that he could show what he discovered in such vital dance terms.

His works were staged and admired around the world – during the 1980s MacMillan was an artistic advisor to American Ballet Theatre – and they remain one of the most potent examples of 20th-century ballet's expressive ability. His last ballet, *The Judas Tree*, produced for the Royal Ballet in March of this year, characteristically showed how MacMillan could find increasingly powerful means of exploring the psyche through a dance language of exceptional precision and expressive force.

Kenneth MacMillan was married to the Australian painter Deborah Williams, and they had a daughter, Charlotte.

*

It is assumed that Sir Kenneth's death occurred as a result of a heart attack. He was at the Royal Opera House for the revival of *Mayerling*, which was receiving a magnificent performance from a cast headed by Irek Mukhamedov. As the curtain calls began, Jeremy Isaacs, General Director of the Opera House, came on stage with Anthony Dowell, director of the Royal Ballet, to announce Sir Kenneth's death. The audience stood, heads bowed for a silent tribute, and left without speaking.

I met Kenneth MacMillan at the time of his first professional ballet, *Danses Concertantes*, in 1955, and thereafter our friendship was an abiding joy for me. His creative career was charted with sympathy and admiration in these pages: Andrew Porter offered most perceptive appreciation of his work from the very first, and as his successor in the 1970s I also hoped to convey the significance of the innovations, the intense perceptions, that marked MacMillan's choreography. There was an understanding between us, though, that MacMillan never discussed his work: criticism was unguided by anything save an interest in the way he extended the boundaries of classic dance as an expressive language for the theatre.

As a choreographer he was, in his most searching works, custodian of a gift, his genius, which took possession of him. He made what he made because he had to. Superb theatre-craft was consciously his, and an unfailing ability to shape new and stimulating movement, but the creative drive was deep-seated and mysterious. Talking about *The Judas Tree* after its premiere, he said to me "I sometimes don't understand all that I've put into a ballet until I've seen it on stage three or four times".

Standing in silence in the Opera House on Thursday night, sharing the tangible sense of shock that affected the audience, I remembered so much about MacMillan. His marvellous ability to grasp the new; his iron integrity; his humour, and his delight in the improbable and the ludicrous; his faultless eye for a dancer and his lifelong devotion to the classic dance. And, centrally, his great joy in his family life. His profound and compassionate understanding of the human condition gave his choreography abiding truth. His creations gave a new maturity to ballet in our time. They are a vital part of our national heritage, and of the dance of our century.

Clement Crisp

'Assassins' on song


Alastair Muir

Scene from 'Assassin', Stephen Sonheim's macabre musical about shooting presidents

FIRST, the *very* good news. The Donmar Warehouse in Covent Garden has re-opened and looks immaculate. This is the second theatre in London's West End to emerge from refurbishment in the last few weeks. The other is the Criterion in Piccadilly Circus, which will concentrate on bringing the best of the London fringe to the centre of the capital.

Donmar, which seats only around 250 people, will spread its net wider. Under the artistic direction of Sam Mendes, it will maintain informal links with the Royal Shakespeare Company and the Royal National Theatre, and will also bring in other comapnies, domestic and foreign. To have two theatres resurfacing in central London at a time of prolonged economic depression is a gratifying sign of evolution: the West End is adapting to the need for smaller places with better shows.

The only slightly less good news is that *Assassins*, the musical by Stephen Sondheim and John Weidman, is not at all the disaster that that some New York critics suggested. One can see why it flopped off-Broadway last year. Since the subject is the tendency of Americans to try to assassinate their President in the name of liberty, it was perhaps tactless to put it on during the first week of the Gulf War when patriotism was at its height.

Assassins remains a macabre piece even in peacetime, but it does have merits. For a start, it is a considerably better musical than (say) *Kiss of the Spider Woman*. The music is distinctive and disciplined; the words are meant to be heard and make sense. This is a cerebral show, not an expensive B-movie.

The theme beneath the subject is clever. It is that over time there have been a lot of assassination attempts on American Presidents, some successful, some not. Is there something in the American idea of freedom that includes, even invites, the freedom to shoot the President? And what is it that binds this band of would-be assassins? Certainly there is not much in the conspiracy theory.

John Wilkes Booth, who assassinated President Lincoln, was an actor. Initially he was part of a small conspiratorial group, but in the end he acted alone. And so it went on; subsequent assassins had scarcely the suspicion of a group behind them. Even Lee Harvey Oswald, who shot President Kennedy, seems after manifold investigations to have been a loner. John Hinckley, who tried to kill President Reagan, had previously thought of having a go at President Carter and Senator Edward Kennedy. He was trying to impress the actress Jodie Foster, whose movie *Taxi Driver* he had seen 15 times.

Assassins goes through the lot of them. The unifying idea is that trying to shoot the President is a way of drawing attention to yourself. "Murder is small", says one of them: assassination puts you in the history books. Among the best episodes is Charles Guiteau who wanted to be ambassador to France under President Garfield. When the President ignored him, Guiteau shot him. In the musical, Guiteau (Henry Goodman), who had an evangelical bent, climbs to the gallows singing a wonderfully cheerful song about looking on the bright side and "I'm going to the Lordy".

There is also Samuel Byck (Ciaran Hinds) who planned to incinerate President Nixon by crashing a jumbo jet on the White House. "It's going to make the news," he tells Leonard Bernstein in a marvellous telephone call.

One could go on. It is all very American, down to the inevitable where were you on the day that Kennedy died, and full of musical in-jokes. But what's wrong with that? Sam Mendes directs; the musical director is Jeremy Sams. Who could ask for more – or at least much more?

Malcolm Rutherford

Donmar Warehouse until January 9. (071) 867 1150

Radio/B.A. Young

US fall-out

WHILE WE await the last week of the American election, John Humphrys, the BBC's Washington correspondent two decades ago, presents in *The Fading Dream* (Radio 4, Wed) a sketch of the electorate as he now sees it. In Seattle, that once knew "the highest quality of life" in the land, beggars sell ten-dollar charity vouchers to buy drink. In a two-square-mile quarter of Los Angeles, there are eight rival gangs of armed youths. Two-thirds of the State are against immigration, including, no doubt, the blacks who harass the Koreans.

Further east, the citizens of Sinclair Lewis's "Main Street" fight the prospect of a five-lane main street through the middle of their community. At Ellsworth Base, South Dakota, the guardians of the ICBMs must soon seek new jobs when the base is closed. Four-fifths of the people reckon themselves worse off than under Reagan. It sounds very different from the television views of the campaign.

Looking elsewhere for serious commitment to current affairs, I found that Tuesday afternoon's Radio 4 play, *The Legs that Came in from the Cold* by Karoline Leach, was unexpectedly about radio-active material and based on a true story. Casual thieves bluff their way into a reprocessing plant and steal a van-load of "metal rods", that are in fact plutonium. Their boss realises what he has got and offers a media story. No one cares but a pacifist group, Rainbow Peace. The "rods" have meanwhile been dumped on a council site, removed for recycling and made into table legs. It is quite fun, but not truthful enough. Serious commitment to current affairs, no. Director, Nigel Bryant.

Conscience takes me to Radio 5 now and then, and I had a look round the week's evening rivals to homework. At 6.30 yesterday was *Greywing*, closely descended from *Superman*. Nigel puts on this grey kit to do good deeds in. This week, tipped off by girlfriend Judy in the local radio station, he saves the local ice-cream king from sabotage by a rival. Colin Swash directed.

At 7.15, *Pie in the Sky* by David Campton, read by Philip Hawthorn. A girl gourmet, Buster, is kidnapped to a new planet, to tell the inhabitants how food tastes and smells, pleasures they lack. She fights back with a battery of hot items like curry and horseradish. At 7.15 daily from Monday to Thursday came a four-part tale, *The Water Horse*, by Dick King Smith, read by John Gordon Sinclair. The eponymous creature was found in its egg by Kirstie, who took it home and put it in the bath, where it hatched – and demanded its keep.

At 9.30, also on Monday, we had the first part of a thriller for those that have finished their homework, or indeed their elders. *Run Man Run*, adapted from a novel by Chester Himes, is set in Harlem in the 1950s. Black Jimmy (Eamonn Walker) is cleaning a diner on the night shift when a drunken white cop, looking for his stolen car, breaks in, shoots two of his mates and wounds him. He recovers in hospital, but the cop is still after him, to make sure he doesn't tell about the shootings. Three more parts to know what happens.

For the grown-ups, there was John Arden's *Armstrong's Last Goodnight* on Sunday, on Radio 3 – quarrelsome matter, between Scottish King James V and English King Henry VIII at the top level, between the fighting Borderer John Armstrong and his neighbours at a lower. To summarise a complex tale, rich in extraneous incident, Armstrong was treacherously betrayed to the young king by Sir David Lindsay, for supposed help to the English. The king had promised him friendship, but had him hanged. Arden's wordy script is in Lowland Scots. I found its 200 minutes dull on the Chichester stage in 1965, and its 120 minutes dull on radio. Adaption by Bennett Maxwell, direction by Stewart Conn.

Attendance up prices down

***Nicholas Powell** talks to dealers at Paris's contemporary art fair*

TRADING at Paris's huge annual contemporary art fair, the FIAC (Foire International d'Art Contemporain) officially totalled FFrs 400m in 1989, dipped to FFrs 300m a year later and in 1991 came to only FFrs 200m. Attendance at this year's 19th FIAC, which closes tomorrow night, was huge, and prices the lowest in years. Yet most of the 162 dealers will consider themselves lucky is they cover costs.

Andrew Kalman of London's Crane Kalman Gallery, one of five British dealers present and a first timer at at the FIAC, sold seven works, including three by London based South African artist Jenny Franklin and two by Mary Newcomb, both virtually unknown in Paris.

Leslie Waddington of Cork Street's Waddington Galleries meanwhile was more upbeat, reporting a turnover of nearly £600,000 – three times what he expected – by the middle of last week. "We have been utterly amazed to get out of London, which is dead and depressed, to discover people who look at paintings and are ready to spend money, too" he said.

Twenty-five Italian galleries were guests of honour of this year's FIAC: Galleria Annunciata of Milan showed 23 drawings, museum worthy (if not exactly contemporary) by the futurist Carlo Carra, dated 1910-15 priced at FFrs 120-150,000. Sperone of Rome showed the most recent work of Mimmo Paladino – five unusually small canvases mounted in box-like frames resembling medieval altar pieces for FFrs 200,000. Artiaco from Naples brought recent work by *arte povera* artists such as Anselmo – two huge granite blocks strung perilously over a canvas on steel wire – and Penone.

Germany's 15 galleries shone by the pluck and the quality of their exhibitions: Springer from Berlin showed the harsh, photographic work of Deiter Appelt and steel sculptures by Prague-born Vladimir Skoda. Sfoir-Semler from Keil juxtaposed works by Scottish sculptor Ian Hamilton Finlay, former *Cobra* painter Lucebert and the first wire sculptures by Günter Haese to be seen on the market for a long time.

Denise René, France's most active champion of abstract art since the war, organised a display of works, full of moving parts, flashing lights and optical illusion, by the op artists she first promoted when they were unknowns in the 1960s and '70s such as Vardanega, Schoffer, Boto, Demarco and Garcia Rossi. Nearby, Galerie Gmurzynska from Cologne had an array of drawings and oils by Russian futurists Malevitch, Souetin and Tshashnik.

The recession is at least encouraging galleries to back younger talent. Willy d'Huysser from Brussels gave the work of Glasgow-born Calum Colvin, famous elsewhere in Europe but not in France, its first airing in the country. Paris's Gutharc Ballin mounted a one man show of large abstract figures in bright velvet and wood by British artist Stephen Hepworth. Aline Vidal from Paris showed melancholy photomontage works by the German Edmund Kuppel at FFrs 25-50,000 alongside sculptures and drawings by a little known 35 year old Frenchman, Jean-Marc Andrieu, for FFrs 5-50,000. Air de Paris, a gallery from Nice, showed work by Philippe Perrin – a French artist whose offerings included paintings of Sarajevo done in blood at FFRs 4,000 each.

Leading contemporary dealer and FIAC veteran Holly Solomon from New York said she had once again made exciting contacts with collectors and curators. "Four years ago there were runners making a fortune selling from one stand to another. But I sell to collectors, not speculators and my prices have not dropped because they were never inflated. The market has not gone to pot. Now is the time to buy. If you have the money," she said.

ARTS

Etruscans with a love of wine women and song

Nigel Spivey on an ancient people who are now politically correct

THE ETRUSCANS are politically correct. Since their Roman conquerors were brought into disrepute by Mussolini's fetish for the style and ambitions of Julius Caesar, they have appealed to modern Italians as natural ancestors. So most Italian universities have chairs of "Etruscology", and so Giovanni Agnelli of Fiat regularly dips into corporate funds to stage Etruscan jamborees both at home and abroad.

The show now on in Paris extends Italian partisanship further: Jack Lang, the French Minister of Fun, introduces Etruscan archaeology as a substratum of modern Europe – giving the Etruscans another dimension of political correctness, at least in the eyes of Europhiles.

The Etruscans are open to claims of this sort by the peculiar nature of their survival. They were the first victims in the laboratory of Roman imperialism: the Romans effectively purged the world of Etruscan literature, without which it is very difficult to form clear ideas about Etruscan culture. We rely on the archaeological remains, supplemented by no more than a few vague comments by ancient writers indicating that Etruscan society was characterised and eventually undermined by its love of wine, food, sex and music.

So it is easy to idealise these people (as D.H. Lawrence and others have done) and easy to overlook some features of the archaeological record which spoil the ideal. Ironically, archaeological evidence points to the Etruscans as the inventors of fascism: certainly the first fasces – a double-edged axe carried as a symbol of authority – is Etruscan, not Roman. If Mussolini had known this, the present popularity of things Etruscan might be diminished. But as it is, the juxtaposition of the Etruscans at the Grand Palais with Picasso is testimony to their attraction: the Etruscan throngs, when I was there, considerably outnumbered those for Picasso.

The spirit of Europeanism has enabled an impressively discreet gathering of Etruscan material from around the continent. For the Etruscans did connect with peoples over the Alps and along the French and Spanish coast; and most importantly, they introduced the Celtic world to wine drinking and wine production. German chieftains in Bavaria, Gaulish princes by Marseilles – Etruscan market research revealed these as the targets not only for shipments of proto-Chianti, but also some finely-wrought vessels with which to celebrate and share the new beverage.

The Etruscans make a satisfying show. One of their painted tombs has been reassembled here, and the sort of lifestyle its paintings depict – banqueting, dancing, aristocratic conviviality – is amply documented by selections of fine jewellery and fine vases. Such things were pouring out of Etruscan tombs from the late 18th century onwards and it is not surprising that they had an impact upon modern European taste. At just the time when rich young men and women were making the "Grand Tour", the Etruscans were yielding souvenirs in abundance. So although Britain was, in ancient times, entirely peripheral to Etruscan activity, Britain is the only other place in Europe which has the place "Etruria" on its map. Josiah Wedgwood was responsible for this: impressed by the quantity and quality of vases coming out of Etruscan tombs, he called his new factory "Etruria" and began to imitate Classical designs.

The exhibition gives almost half its space to charting this belated Etruscan influence, and rightly so. But visitors should not be too deluded by the apparent direction of "scientific progress" implied by the displays. The implication is that early students of the Etruscans were fantasy-mongers whose fantasies have now been replaced by sober scholarship. The truth is otherwise. At least one of the contributors to the catalogue has written glowingly of Etruscan artefacts which were, in fact, Made in Italy not very long ago.

A scientific archaeology of the Etruscans is impossible: most of the objects on display here were excavated with all the skill of a dog recovering an old bone, and clandestine explorations continue to thwart proper research in Italy. We can decipher the Etruscan language as it appears in inscriptions: but without any significant literature, this language has failed to reveal much about those who used it. Great areas of knowledge about the Etruscans, such as their political organisations or their internal history, remain entirely mysterious.

And perhaps they always will, and perhaps it is better that way. So long as the Etruscans stay inscrutable, Jack Lang can wax about the "spontaneity" of their art, Giovanni Agnelli can write tenderly as though they were his great-grandfathers, and they can challenge us all to try our luck and see what we make of them.

Aristocratic conviviality: detail of an Etruscan tomb-painting, early 5th century BC

The Etruscans and Europe is at the Grand Palais, Paris, until December 14, then moves to the Altes Museum, Berlin in the New Year.

A masterly 'Wozzeck' revived

Max Loppert enjoys the ENO production of Berg's opera

DAVID Pountney's English National Opera production of *Wozzeck*, new two years ago, is revived this season under the supervision of Nancy Duguid. It proves once again an altogether masterly piece of opera-staging, full of ripe singing-acting performances and sharply defined theatrical images, and everywhere stamped by a confident clarity in stating and fusing both music and drama which is even now a rarity in accounts of Berg's opera.

Down to the control of body-language – natural (but horribly down-cast) movements for Wozzeck, Marie and the child, for everyone else a set of precisely planned physical variations on themes of urban dehumanisation and horror-comic dementia – the production team manifests a concern for theatrical distinctness of vision that tells in every detail. The flat planes, corrugated-iron surfaces, boxed-in apertures and split-level division of Stefanos Lazaridis's single set, brilliantly imagined and achieved, function simultaneously as space and symbol; the influence of Grosz and Dix (socially critical cartoon-images of scathing grotesquerie) and also of the early surrealists is apt, and fully absorbed.

One watches and listens enthralled but (as it were) at a remove: on the simplest level, should not this of all operas harrow the spectator's emotions more fiercely than it did mine at the Coliseum on Thursday? Sometimes the actual events of the opera seem distanced – the brutality of the Doctor, enacting his examination on the upper level, fails to land its solar-plexus punch – while at other times the very sophistication of the stage technique (as evidenced in the beautifully coloured water-visions of the murder scene) seems to place an extra layer of "art" between Berg's already elaborately wrought structure and his audience.

No production of this miraculous, unrepeatable masterpiece offers everything; and Pountney's deserves the highest praise for his determination to "translate" Berg's theatrical language, in all its forcefulness and economical fluidity, onto this (for *Wozzeck*) inhospitably large stage. Most of the original principals have returned for the revival: fine in 1990, they show themselves still finer now, deeper, sharper-edged, more emotionally robust. Donald Maxwell in the title role, singing with extraordinary musicality and an encyclopaedic (but never self-consciously applied) range of tone-colours, dominates the performance in a way only the best Wozzecks can. In doing so, indeed, he provides the strongest argument for Pountney's production style: he acts as its pivotal point.

Kristine Ciesinski, physically so much in the skin of Marie's desperate lusts and also her searing, hopeless guilty outbursts, has refined her singing still further – the voice spreads less and displays its natural warmth even more. Alan Woodrow (a superbly powerful Captain) and Richard Angas (an insidiously fascinating Doctor, albeit with unclear words) are also welcome revenants; among the newcomers Ian Caley makes a great deal more than one expected him to of Pountney's operetta-cliché Drum Major (the single weakest element in the staging), and Alasdair Elliott's Andres is lyrical and unforced.

Alastair Muir

Kristine Ciesinski as Marie

The conductor, Richard Armstrong, is apparently less careful about letting through the words of the Blackall-Harford translation than his predecessor, Mark Elder, and less preoccupied with supply-shaped orchestral playing, but even more gripped by the dramatic intensity of the music. The D-minor Interlude burst over the theatre as it must, with shocking ferocity. *Wozzeck* is never going to be anyone's idea of an operatic Good Night Out; to those whose ambitions for the medium are more elevated, this ENO revival merits a vigorous recommendation.

Revival sponsored by Peter Moores Foundation; in repertory until November 26

A chest for wild thoughts

Alannah Hopkin reads the young Samuel Beckett's only novel, which is being published posthumously next month

THE APPEARANCE of Beckett's first novel, *Dream of Fair to middling Women*, has been welcomed by Beckett scholars. There was a ripple of excitement when the actor Barry McGovern read extracts from it last week at its launch in The Dublin Writers' Museum.

It is published in Ireland with a print run of 8,000 by The Black Cat Press, a small Dublin-based company, founded by a cardiologist and Beckett-expert, Eoin O'Brien, who is also the novel's co-editor. Eoin O'Brien is best known in literary circles for *The Beckett Country*, a collection of photographs and texts illustrating the Irish origins of Beckett's work.

He was chosen as co-editor of the novel by Beckett's literary executor, Jérôme Lindon, and worked closely with Edith Fournier, a lifelong friend of Beckett and sometimes his translator. Beckett had strong misgivings about all his early, pre-war works. O'Brien says that the decision to publish *Dream of Fair to middling Women* was not taken lightly, but its appearance today "is at Samuel Beckett's own behest, expressed to me in talks on the subject between 1975 and 1989." Samuel Beckett died in late 1989.

Beckett's English language publisher, John Calder, licensed this one hardcover edition to The Black Cat Press, chiefly so that the editor could, says Calder, "bring out a very special edition according to his own specifications." Calder will be distributing the book for Black Cat in the UK.

The "special edition" is at first glance a rather plain 241-page hardback in a dark green jacket; its specialness lies in the quality of its typesetting and proof-reading, both formidable tasks as Beckett uses idiosyncrasies of punctuation and spacing and writes in at least seven known languages; he also coins neologisms at a rate exceeded only by James Joyce in *Finnegans Wake*. "Verbal exuberance" is a recurring phrase in critical assessments of the work.

In fact, the non-specialist dipping into *Dream* could quite easily suspect that it is an undiscovered work by Joyce. And yet, while it is undoubtedly under his influence, the 26-year-old Beckett often prefigures the mature writer: "Doubt, Despair and Scrounging, shall I hitch my bath chair to the greatest of these?" Lines from the poetry fly by; Belacqua is the main character, as in *More Pricks than Kicks*, and the location is Beckett's Dublin. At times it reads like the footnotes from *Watt*.

And these are more than echoes. Beckett called this useful outpouring "the chest into which I threw my wild thoughts," a chest which he later plundered, seeing no immediate prospect of the novel as it stood gaining publication. Some of the stories from *Dream* were assembled with others and published as *More Pricks than Kicks*. O'Brien claims that it also served as a starting point for later works such as *Happy Days* and *Krapp's Last Tape*.

Eoin O'Brien believes that the book will have an appeal beyond the coterie of specialists, pointing to *Dream's* "youthful zest," which he hopes will attract younger readers. John Calder sees it as a clever student showing-off, great fun to read, and very much a young man's book. Some of it is very funny, some of it is quite rude. It is a book without much in the way of restraint, whereas later on he became very restrained.

James Knowlson, Director of the Beckett International Foundation at Reading University, and Beckett's official biographer, is among those who welcome the publication of this early work, while admitting that it is uneven: "Very brilliant in parts, and not so good in other parts."

Like many first novels, even the great master's is to some extent autobiographical, with thinly disguised portraits of friends and acquaintances. Knowlson thinks that he can identify most of them; all will be revealed in two years' time when the biography appears. Meanwhile stand by for a barrage of speculation and learned commentary when *Dream of Fair to middling Women* becomes available in the UK later this month (about November 10, price £18.99).

Dance/Alastair Macaulay

Why things happen

THE LATEST Second Stride production, *Why Things Happen*, demonstrates with marvellous authority why this company is among the most remarkable theatrical troupes in Britain. No local company has worked more consistently to combine diverse theatrical elements into its productions; and *Why Things Happen* plunges us at once into the kind of mysterious and satisfying web of feeling that can only occur with Second Stride. The director, as always, is Ian Spink; the writer is Marty Cruickshank; the designer is Antony McDonald; the music (largely by J.S. Bach) is arranged and directed by Judith Weir.

There are just three performers – a director, a dancer, a musician – and much of the time in *Why Things Happen* we experience speech, dance and music as discrete acts. Each clearly affects us on a different level of consciousness, and so we become aware of the many layers of feeling within ourselves: a quintessential Second Stride feat. But there are also connections. The director (Timothy Walker) is the central figure. He interviews the musician (Charles Mutter), who speaks of the Bach sonata, its importance to him, his attitude to rehearsing and performing it, and its internal structure. And the director also has a complex, adult, fragmented relationship with the dancer (Joanne Leighton). To complete the third side of the triangle, she dances at times to the Bach, with both spontaneity and formal concentration.

Meanwhile, in words, the director addresses concerns of his own – his mother's letters, nuclear physics, a whole collage of quotations, the hairs on his legs. How do all these things connect? Of course, they don't – except that they reproduce the complexity of ordinary human existence, the way in which, in our daily lives, our minds run simultaneously on numerous tracks at once. *Why Things Happen* lasts some 75 minutes, and the first 55 of which are on a very high poetic level. Watching, listening, feeling, you are bewildered, stimulated, gratified. The pleasure begins in rhythm and elegance. As in several Spink theatre pieces since 1983, the strange modernist ordering of spoken material into arrays of soliloquy, dialogue, exposition and quotation has a rhythm and humanity that evoke the poetry of T.S. Eliot.

The last 20 minutes decline, not in elegance but in tension. There is a pointlessly elaborate scene-change – McDonald, though among our most remarkable designers, is too fond of clutter – and the ending steers too close to sentimentality. But nothing breaks the work's mini-layered spell. Spink's choreography for Leighton is always shaped in handsome, rigorous phases; and she dances with a movingly strict absorption. Though she is not always yet a natural speaker, all three performers have been directed to give eloquent, unmannered performances.

Numerous meanings pour forth as you watch. By one light, the woman is a symbol of private life, the violinist of pure art. But the dancer is herself both mistress and muse to the director. And both of them have their private needs, their unfaithfulnesses to each other, and their independent artistic integrity. The director half withdraws into abstracted concentration upon other issues, but half becomes a latter day Othello, contemplating his need to kill her. This latter thread turns into a treatment of "Each man kills the thing he loves." And, as the director talks of the internal composition of the atom, his words – though apparently irrelevant – actively cast light on everything we have heard: the organisation of the Bach; the structure of a private life; the interaction of independent elements; the way that huge energies are powerfully yet perilously contained within a single unit.

AT THE ICA, until October 31, and on tour until November 14.

Chess No 947: 1 . . . Nd7? 2 Qxh6+ Kg8 3 Bxg7! Bxg7 4 Rg5 Resigns.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Spider. 7.35 Animal World. 7.45 Quick Draw McGraw. 7.50 Litt' Bits. 8.15 Chucklevision. 8.35 Bucky O'Hare. 9.00 Going Live!

12.12 Weather.
12.15 Grandstand. Introduced by Steve Rider. Including at 12.20 Football: A review of the week's action and a preview of the three European competitions. 12.50 News. 12.55 Racing from Wetherby: The 1.00 Wensleydale Juvenile Hurdle. 1.10 Motor Sport: Celebrating the 25th anniversary of Formula Ford, from Brands Hatch. 1.25 Racing: The 1.30 Tote West Yorkshire Hurdle. 1.40 Motor Sport: Further coverage from Brands Hatch. 1.55 Racing: The 2.00 Tetley Bitter Charlie Hall Chase. 2.10 Boxing: The best of the midweek action from the Royal Albert Hall and Leeds. 2.30 Rugby Union: Ireland v Australia. Live coverage from Lansdowne Road, Dublin. 4.20 Motor Sport. 4.40 Final Score. Times may vary.
5.05 News.
5.15 Regional News and Sport.
5.20 Dad's Army.
5.50 Big Break.
6.20 Noel's House Party.
7.15 Bruce Forsyth's Generation Game.
8.15 Casualty. Sandra asks Julian to pull strings to bring forward the date of Duffy's biopsy. The general manager wants rid of Kate when she ignores his orders to stop hiring agency nurses. Saboteurs cause chaos at a fox hunt, leading to serious injury. Starring Nigel Le Vaillant and Maureen Beattie.
9.05 News and Sport; Weather.
9.25 Screen One Special: Ghostwatch. Hallowe'en special with Michael Parkinson, Sarah Greene, Mike Smith and Craig Charles investigating things that go bump in the night at the haunted house of Mrs Pamela Early (Brid Brennan).
11.00 Match of the Day. David Davies introduces highlights from two of the day's top FA Premier League games, with Gary Lineker providing expert analysis. Plus, a chance to vote in October's Goal of the Month competition.
12.05 Film: Author! Author! Comedy, starring Al Pacino (1982).
1.50 Weather.
1.55 Close.

BBC2

9.05 Film: A Chump at Oxford. 10.05 Film: The Gazebo. 11.45 So You Want to Play Golf with Peter Alliss. 12.15 pm Film: Highly Dangerous.

1.40 Animation Now.
1.50 Network East.
2.20 Tanhalyan.
3.00 Cry of the Mountain.
3.30 Film: Ninotchka (1939).
5.20 Scrutiny.
5.50 Political Memoirs: Nigel Lawson. The former Chancellor takes a critical look at his achievements, discusses the disagreements he had with Lady Thatcher and reveals the role of Sir Alan Walters.
6.35 News and Sport; Weather.
6.50 Pole to Pole. Michael Palin arrives in the Soviet Union and visits the villages around Chernobyl, emptied by the nuclear disaster of 1986. Shown Wednesday on BBC1.
7.40 Glimpses of Paradise. An insight into the work of composer John Tavener.
8.35 Have I Got News for You.
9.05 Testament of Youth.
10.00 Inside Story. In 1963, black civil rights leader Medgar Evers was murdered in Mississippi. His widow claims she knows who is responsible and is determined to see the man punished. The programme explores Evers' achievements and investigates his murder.
11.00 The Vault of Horrors: What's Behind the Door, Mummy? Beginning an evening of horror for Hallowe'en. Clive Barker, Wes Craven, James Herbert and Stephen King discuss the dark side of man's imagination.
11.20 Tales from EC.
11.25 Film: Creepshow. Five short horror tales based on stories by Stephen King (1982).
1.25 The Art of Illusion. Tom Savini demonstrates horror make-up effects.
1.30 The Unholy Trinity. Clive Barker, Sean Cunningham and Wes Craven discuss the horror characters they have created.
1.40 Film: The Curse of the Werewolf. Starring Oliver Reed (1961).
3.10 Prime Evil.
3.15 Terror on the Page.
3.20 Film: The Bride of Frankenstein. With Boris Karloff (1935).
4.30 The Horror of Sex.
4.35 Dario's Friends.
4.45 Film: Deathline. Starring Christopher Lee (1973).

LWT

6.00 TV-am. 9.25 What's Up Doc? 11.30 Movies, Movies, Movies. 12.00 The ITV Chart Show.

1.00 ITN News; Weather.
1.05 LWT News; Weather.
1.10 Smurfs.
1.25 The People Sports Merit Awards. Highlights of the lunch honouring British sports stars. With Ian St John and Jim Rosenthal.
2.00 Matlock. Ben defends a psychic who is accused of murder.
2.55 The A-Team. Four mercenaries are hired to dispose of Hannibal and the team once and for all.
3.50 WCW Worldwide Wrestling. Grappling action in the canvas ring.
4.40 ITN News and Results; Weather.
5.00 LWT News; Weather.
5.05 Cartoon Time.
5.20 Beverly Hills 90210.
6.15 Gladiators.
7.15 Blind Date. Young and old romantic hopefuls search for their dream partners.
8.15 Beadle's About. It's Hallowe'en and Jeremy Beadle is up to his usual tricks. Tonight's cranks include a worker who gets a job in a blood bank run by a vampire, and a woman who is convinced she can see a ghost.
8.45 ITN News; Weather.
9.00 LWT Weather.
9.05 Film: Wall Street. Oscar-winner Michael Douglas plays corrupt New York stockbroker Gordon Gecko, who takes financial whizz-kid Charlie Sheen under his unscrupulous wing. Martin Sheen also stars (1987).
11.15 Hale and Pace. Sketches with the comedy duo. Norman loses his arm, and the twosome chart the life and times of a radio stuntman.
11.50 Almost Grown. Norman and Joey's masculinity comes under scrutiny from the women in their lives.
12.45 Get Stuffed; ITN News Headlines.
12.50 The Big E.
1.50 Cheap Thrills; ITN News Headlines.
2.00 The Gig.
3.00 New Music.
4.00 Coach.
4.25 Get Stuffed.
4.30 The Hit Man and Her.

CHANNEL4

6.00 Early Morning. 10.00 Kabaddi. 10.30 Gazzetta Football Italia – With Paul Gascoigne. 11.30 American Football: Play Action. 12.00 Sign On – At Leisure. 12.30 pm Songs and Memories.

1.00 Four-Mations: Sound.
1.35 Racing from Newmarket. Derek Thompson introduces coverage plus the latest news on the Breeders' Cup races, live from Florida. Featuring the 1.40 Sporting Life Zetland Stakes, 2.10 Ben Marshall Stakes, 2.40 Royston Stakes and the 3.10 Ladbroke Autumn Handicap.
3.35 Film: Seventh Cavalry. Randolph Scott stars (1956).
4.55 Short and Suite.
5.05 Brookside.
6.30 Right to Reply. Michael Grade, Channel 4's chief executive, discusses with viewer Kate Mosse the controversial scrapping of such programmes as Out, After Dark and Business Daily. He also talks about what some claim is the abundance of American buy-ins and ITV repeats on C4.
7.00 A Week in Politics. Tony Blair MP discusses Labour's stance on Maastricht. Plus, Arthur Scargill and Bill Jordan take the miners' case to Strasbourg in an effort to gain European support for a thorough energy review by the Government.
8.00 Wheeling Free. Following an Australian disabled rights campaigner as he embarks on an ambitious journey through Central America. Despite many problems, he learns how people of the region deal with disability - and discovers much about himself.
9.00 Court TV: America on Trial. Last programme in the series looking at real-life American justice in action.
10.00 Racing International: The Breeders' Cup. Brough Scott introduces the World Championship of flat racing from Gulfstream Park, Florida.
11.00 Film: The Fog. A Californian coastal town is besieged by the ghosts of drowned mariners, who terrorise the inhabitants. Starring Jamie Lee Curtis and Janet Leigh (1979).
12.40 Film: Vampires in Havana. Animation by Cuban director Juan Padron (1985).
2.00 The Word.
2.55 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 1.05 Anglia News. 1.10 Cartoon Time. 1.20 The Life and Times of Grizzly Adams. 2.15 McCloud. 4.00 WCW Worldwide Wrestling. 5.00 Anglia News and Sport 5.15 Cartoon Time. 11.45 Jake and the Fatman.

BORDER: 1.05 Border News. 1.10 Kick Off. 1.30 Gulliver's Travels. 3.00 Granada Sports World. 5.00 Border News, Sport 11.45 In Broad Daylight. (TVM)

CENTRAL: 11.30 The Mountain Bike Show. 1.05 Central News 1.10 Superman. 1.40 The Life and Times of Grizzly Adams. 2.35 Carry On Nurse. (1959) 4.00 WCW Worldwide Wrestling. 5.00 Central News 5.05 The Central Match – Goals Extra. 11.15 Tanner '88: The Dark Horse.

CHANNEL: 11.30 The Munsters Today. 1.05 Diary Dates. 1.15 Motor Sport Special. 1.40 Once a Hero. (1987) 3.05 Cartoon. 3.20 Zorro. 3.45 The A-Team. 5.00 Channel News. 5.05 Puffin's Pla(i)ce. 11.45 The Young Riders.

GRAMPIAN: 1.05 Grampian Headlines 1.10 Calptean Planaid. 1.40 Cuirm Cloinne. 1.50 The Adventures of Huckleberry Finn. 2.50 The Life and Times of Grizzly Adams. 4.00 WCW Wrestling. 5.00 Grampian Headlines. 5.05 Put It in Writing. 11.45 In Broad Daylight. (TVM 1971)

GRANADA: 11.30 Zorro. 1.05 Granada News 1.10 Kick Off. 1.30 Gulliver's Travels. (1983) 3.00 Granada Sports World. 5.00 Granada News 5.10 Granada Goals Extra. 11.45 In Broad Daylight. (TVM)

HTV: 1.05 HTV News. 1.10 Danger by My Side. (1962) 2.20 US PGA Golf. 3.20 Fast and Furious. (1939) 5.00 HTV News and Sport

SCOTTISH: 1.05 Scotland Today. 1.10 Calptean Planaid. 1.40 Make Your Own Bed. (1944) 3.15 Highway to Heaven. 4.10 Bullseye. 5.00 Scotsport Results. 5.10 Scotland Today 11.50 Matlock.

TSW: 11.30 The South West Week. 1.05 TSW News. 1.10 Discovering Gardens. 1.40 Off the Hook Special. 2.40 Captain Eddie. (1945) 5.00 TSW News. 5.05 Gus Honeybun's Cartoontime. 11.45 In Broad Daylight. (TVM 1971)

TVS: 11.30 The Munsters Today. 1.05 TVS News. 1.15 Motor Sport Special. 1.40 Once a Hero. (1987) 3.05 Cartoon. 3.20 Zorro. 3.45 The A-Team. 5.00 TVS News. 11.45 The Young Riders.

TYNE TEES: 1.05 Tyne Tees News. 1.10 The Channon and Ball Video Show. 1.40 Motor Sport Special. 2.05 If It's Tuesday, It Still Must Be Belgium. (TVM 1987) 3.45 Baywatch. 5.00 Tyne Tees Saturday. 11.45 Psycho II. (1983)

ULSTER: 11.30 Zorro. 1.05 Ulster Newstime 1.10 Saturday Sport. 1.20 Rocksport. 1.50 Carry on Again Doctor. (1969) 3.20 Movies, Movies, Movies. 3.50 Wrestling. 4.35 Goals of the Week. 5.00 Ulster News 5.05 Saturday Sport. 9.00 Ulster Newstime 11.45 In Broad Daylight. (TVM 1971)

YORKSHIRE: 11.30 The Munsters Today. 1.05 Calendar News. 1.10 The A-Team. 2.05 If It's Tuesday, It Still Must Be Belgium. (TVM 1987) 3.45 Baywatch. 5.00 Calendar News. 11.45 Psycho II

SUNDAY

BBC1

7.30 Film: Flight for Freedom. 9.10 News. 9.15 Start Your Own Religion. 9.30 This is the Day. 10.00 See Hear! 10.30 Inside English. 10.45 Italianissimo. 11.00 Careering Ahead. 11.30 Winning.

12.00 Advice Shop. News, views and information on benefits and pensions.
12.30 CountryFile.
12.55 Weather for the Week Ahead; News.
1.00 On the Record. Political interviews and comment with Jonathan Dimbleby.
2.00 EastEnders.
3.00 Eldorado.
3.30 Film: Taras Bulba. Cossack leader Yul Brynner feuds with his rebellious son in this action adventure set in 16th century Russia. Tony Curtis and Christine Kaufmann also star (1962).
5.30 Cartoon Double Bill.
5.50 The Clothes Show.
6.15 Weather Watch.
6.25 News.
6.40 Songs of Praise. Martin Bashir attends on-campus celebrations at the new Middlesex University as it opens its doors to the community it will be serving.
7.15 Last of the Summer Wine. While discussing the late-night film, Nora tells her neighbour what turns her on – not realising Compo is listening. His attempts to impress his sweetheart lead to him sitting astride a horse – which causes problems for Clegg and Foggy. Starring Bill Owen and Kathy Staff.
7.45 The House of Eliott.
8.40 Birds of a Feather.
9.10 News and Weather.
9.25 Tell Tale Hearts. New series. Psychological thriller by Stephen Lowe.
10.10 Everyman. The roots of pagan religion in England. As the Celtic New Year begins, Roger Stott's documentary explores how ancient traditions are echoed in literature and festivals. But, as the programme discovers, there are plans to abolish one of England's oldest celebrations – Beltane, now known as the May Day Bank Holiday.
10.50 Doogie Howser, MD.
11.15 Off the Back of a Lorry. Mike Scott looks at British businesses in Italy on his quest for single market success.
11.45 Tanhalyan.
12.25 Weather.
12.30 Close.

BBC2

6.10 Film: Abbott and Costello Meet Frankenstein. 7.25 Good Morning. 7.30 Felix the Cat. 7.45 Playdays. 8.10 Smoggies! 8.35 Animal Album. 8.45 Orville and Cuddles. 8.55 Bitsa. 9.15 The Legend of Prince Valiant. 9.45 The Wetter the Better. 10.05 Thundercats. 10.30 Uncle Jack and the Dark Side of the Moon. 10.55 Blue Peter Omnibus. 11.45 The O Zone. 12.00 Thunderbirds. 12.50 pm The Invaders.

1.40 The Staggering Stories of Ferdinand de Bargos.
2.00 Around Westminster.
2.30 Margaret.
3.10 The Choice. Award-winning journalist Richard Ben Cramer presents a feature-length portrait of George Bush and Bill Clinton – the two men facing each other in the American presidential election.
5.05 Rugby Special.
6.05 The Travel Show Guides. Carol Smillie and Paddy Haycocks look at Corsica and Sardinia.
6.35 The Money Programme. Before unification, West Germany enjoyed a long period of prosperity thanks to agreement between government, industry and trade unions. But, as Janet Bush reports, the cost of financing reunification is placing heavy pressures on this formerly solid agreement.
7.15 The Living Planet. For 10,000 years, man has been changing the face of the planet. In the last programme of the series, David Attenborough examines the extent of the damage caused in the name of progress and suggests what should be done to secure Earth's future.
8.10 City of Strangers. Three-part documentary exploring how European artists and performers living in America influenced the development of the film industry.
9.00 Building Sights Europe.
9.10 Did You See? Jeremy Paxman reports from the set of the CBS election studio on coverage of the US presidential race. Guests are writer Gloria Steinem, satirist and writer Joe Queenan and, from Los Angeles, entertainment commentator Laurie Pike.
9.40 A Word in Your Era.
10.10 Film: Mississippi Burning. Premiere of Alan Parker's drama about racism in America's Deep South. Gene Hackman plays a tough FBI agent out to solve the Ku Klux Klan murder of three civil rights activists (1988).
12.20 Close.

LWT

6.00 TV-am. 9.25 The Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 The Human Factor. 12.30 pm LWT News Weekend; Weather.

1.00 ITN News; Weather.
1.10 Walden. Brian Walden visits Hong Kong to interview the colony's Governor, former Conservative Party chairman Chris Patten; **The Day.**
2.00 Bullseye.
2.30 The London Match. Charlton Athletic v Birmingham City.
5.05 Baywatch.
6.00 Animal Country. Visiting Houghton Hall, North Norfolk to see its herd of white fallow deer, and meet rare breeds enthusiasts Alex and Keith Loads.
6.30 ITN News; Weather.
6.35 LWT News; Weather.
6.40 Highway.
7.15 Second Thoughts. Bill returns home after a frightening interview and Faith discovers her son has been caught smoking. Comedy, starring James Bolam, Lynda Bellingham and Belinda Lang.
7.45 The Ruth Rendell Mysteries. Part 1 of An Unwanted Woman. Wexford takes on the case of a 90-year-old woman who has mysteriously died following an argument with her daughter. George Baker stars as the intrepid investigator. Starring George Baker.
8.45 London's Burning. A call to a seemingly innocent rubbish fire ends in tragedy for Blue Watch. Recall's cystic fibrosis-suffering son has his final tests to see if he is eligible for a heart-lung transplant.
9.45 ITN News; Weather.
10.00 LWT Weather.
10.05 Spitting Image.
10.35 The South Bank Show. Profiling Hollywood film director Robert Zemeckis, whose credits include the Back to the Future trilogy and Romancing the Stone; **The Day.**
11.35 Cue the Music.
12.40 Derrick; ITN News Headlines.
1.50 The ITV Chart Show.
2.45 Get Stuffed; ITN News Headlines.
2.50 Night Heat, followed by **Get Stuffed.**
3.55 Pick of the Week.
4.20 Out of Limits.

CHANNEL4

6.00 Early Morning. 9.25 Laurel and Hardy. 9.30 Dennis. 9.45 Flipper. 10.15 If Wishes Were Horses. 10.45 Voyage to the Bottom of the Sea. 11.45 Little House on the Prairie. 12.45 pm Classic Cars.

1.15 Football Italia. Live coverage of AC Milan v Torino.
3.30 Film: Saddle the Wind. Western adventure. Robert Taylor stars as an ex-gunfighter forced back into action when his unbalanced brother (John Cassavetes) disrupts his life. With Charles McGraw (1958).
5.05 When Magoo Flew. Oscar-winning animation.
5.10 News.
5.15 Greed and Glory. Investigating the massive financial scandals which have rocked the City of London. Pensioners have seen their futures jeopardised, share markets have been rigged and a few notable people have gone to jail. But who is responsible – the bankers, the businessmen or the politicians?
6.00 The Miraculous Mellops. Australian sci-fi series. The Royal Dump Pest Exterminator company makes a fortune with a spray which makes pests vanish.
6.30 The Cosby Show.
7.00 Equinox: Zen on Wheels. Japanese cars are technically efficient and sophisticated. But their success is also based on unusual studies to predict market trends. Zen on Wheels asks: How can taking photographs of children help manufacturers forecast changes in the marketplace?
8.00 The Royal Collection. How the Royal Collection differs from other great collections and how private tastes have affected its creation.
9.30 American Football. Games include Houston Oilers v Pittsburgh Steelers.
10.00 Film: The Gift Horse. Trevor Howard stars as the captain of a destroyer which leads the raid on St Nazaire in 1942. (1952).
11.55 Four-Mations: Sound. Putting on the Ritz adapts Fred Astaire's version of the famous song. High Fidelity is based on a number by Richard O'Brien.
12.40 Film: Secret Wedding. Starring Tito Haas (1989).(English subtitles).
2.10 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.30 Gardening Time. 12.50 Anglia News. 2.00 Cartoon Time. 2.10 Stuntmasters. 2.50 Get Smart Again. 4.35 Baywatch. 5.30 Bullseye. 6.35 Anglia News. 11.35 The Young Riders.

BORDER: 12.30 Conference Report. 12.55 Border News. 2.00 Gardening Time. 2.30 The Secret Garden. (TVM 1987) 4.30 Animal Country. 5.00 Scotsport. 6.00 Bullseye. 6.35 Border News. 11.35 Prisoner: Cell Block H.

CENTRAL: 12.30 Gardening Time. 12.55 Central News 2.00 Memories of 1970-1991. 2.45 The Central Match – Live. 6.00 Bullseye. 6.35 Central News. 11.35 Hale and Pace.

CHANNEL: 12.30 Reflections. 12.35 Les Francais Chez-Vous. 12.50 Tele-Jornal. 2.00 The New Adventures of Black Beauty. 2.30 Fantastic Voyage. 4.15 Cartoon. 4.30 Bullseye. 6.35 Channel News.

GRAMPIAN: 10.45 Heidi. 11.15 Sunday Service. 11.45 Link. 12.30 Conference Report. 12.55 Grampian Headlines. 2.00 Elkon. 2.30 Take The High Road Documentary. 3.00 The Legendary 51st. 4.00 Animal Country. 4.30 Bullseye. 5.00 Scotsport. 6.00 Scotland's War. 6.35 Grampian Headlines 11.35 Prisoner: Cell Block H.

GRANADA: 12.25 Short Story Theatre. 12.55 Granada News 2.00 Granada Action with The A Team. 2.30 Cartoon. 2.45 McCloud. 4.30 House Style. 5.00 Bullseye. 5.30 Coronation Street. 6.35 Granada News 11.35 Prisoner: Cell Block H.

HTV: 12.30 West Country Farming. 12.55 HTV News. 2.00 Challenge of the Seas. 2.25 Chequered Flag. 2.55 WCW Worldwide Wrestling. 3.45 Carry On Cleo. 5.30 Bullseye. 6.35 HTV News.

SCOTTISH: 10.45 Glen Michael's Cartoon Cavalcade. 11.15 Link. 11.30 Sunday Service. 12.30 Conference Report. 12.55 Scotland Today. 2.00 Elkon. 2.25 Carry On Screaming. (1966) 4.05 Baywatch. 5.00 Scotsport. 6.00 Scotland's War. 6.35 Scotland Today. 11.35 First Reels.

TSW: 12.30 TSW Farming Week. 12.55 TSW News. 2.00 Gus Introduces Frootie Tooties. 2.10 Highway to Heaven. 3.05 The Truth About Spring. (1964) 5.00 Bullseye. 5.30 Cobblestones, Cottages and Castles. 6.35 TSW News. 11.35 Prisoner: Cell Block H.

TYNE TEES: 12.25 Earthmovers. 12.55 Tyne Tees News. 2.00 Dogs with Dunbar. 2.30 The Back Page. 3.05 The Enemy Below. (1957) 5.00 Animal Country. 5.30 Bullseye. 6.00 Pieces of Parkin. 6.35 Tyne Tees News. 11.35 Prisoner: Cell Block H.

ULSTER: 12.30 Gardening Time. 12.55 Ulster Newstime 2.00 Matchmaker. 2.35 Tiger of the Seven Seas. (1962) 4.05 Baywatch. 5.00 Bullseye. 5.30 Coronation Street. 6.35 Ulster Newstime 10.00 Ulster News 11.35 Daniel O'Donnell.

YORKSHIRE: 12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 Highway to Heaven. 2.55 The 300 Spartans. (1962) 5.00 Animal Country. 5.30 Bullseye. 6.00 Calendar. 11.35 An Evening with Placido Domingo.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Sarah Kennedy. 12.00 Nick Barraclough's New Country. 1.00 Beyond Our Ken. 1.30 The News Huddlines. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 Brill Cream. 5.00 Cinema 2. 5.30 Screenplay. 6.00 Bob Holness Requests the Pleasure. 7.00 Back Numbers. 7.30 Mario di Marco Sings. 8.30 The Grahamaphones in Concert. 9.30 Easy Does It. 10.00 Sinister Stories for Hallowe'en. 11.00 Arts Programme. 12.05 Ronnie Hilton. 1.00 John Terrett. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.35 Open University: Creativity in Management.
6.55 Weather.
7.00 Record Review.
1.00 News.
1.05 Peter Schreier.
2.15 Great Elm Music Festival 1992.
3.00 Vienna: The Philharmonic Years 1842-1992.
5.00 Jazz Record Requests.
5.45 Third Opinion.
6.30 Tannhauser.
10.10 The Original Walther.
10.30 An Obligation of Love.
11.15 Impressions.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 Europhile.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Saturday Playhouse.
4.00 You Don't Have to Work to Be Mad Here.
4.30 Science Now.
5.00 The Living World.
5.25 Tea Junction.
6.00 News and Sports Round-up.
6.25 Week Ending.
6.50 Ad Lib.
7.20 Kaleidoscope.
7.50 Classic Serial.
8.50 Work Talk.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 The Grimsby Ghostbusters.
10.45 Short History of the Cold Shower.
11.00 Mirrored in Music.
11.30 Fourth Column Revisited.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service: Newshour.
6.30 Weekend Edition.
8.30 Get Set.
10.30 Tales of the Texas Rangers.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
6.06 Six-O-Six.
7.30 Le Top.
8.30 Airopop Worldwide.
9.30 The Set-Up.
11.00 International Boxing.
2.15 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
6.00 News; The World Today. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith; A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports Roundup. 10.00 News Summary. 10.01 Jazz Now And Then. 10.15 Letter From America. 10.30 Waveguide; Book Choice; From The Weeklies. 11.00 Newsdesk. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News; Words of Faith. 12.15 Multitrack 3. 12.45 Sports Roundup. 1.00 Newshour. 2.00 Club 648. 2.15 Personal View. 2.30 Sportsworld. 3.00 News; Sportsworld continued. 4.00 News; News About Britain; BBC English. 4.29 News Headlines in French.
4.30 Programmes in German. 5.00 News Summary; Sportsworld. 5.30 Programmes in French. 6.00 Newsdesk. 6.30 Programmes in German. 8.00 News; Personal View; Words of Faith. 8.30 Europe This Weekend.
8.55 European Sports News. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Words of Faith; Book Choice; A Jolly Good Show. 12.00 Newsdesk. 12.30 The Ken Bruce Show; News Summary. 1.01 Play of the Week: Mr and Mrs Nobody. 2.00 News; The Evangelicals. 3.00 News; News About Britain. 3.15 Sports Roundup.

CLASSIC FM
6.00 Sarah Lucas.
9.00 Classic CD Chart Rundown.
12.00 Petroc Trelawny.
3.00 Adrian Love.
6.00 Classic America.
7.00 Introduction to the Opera.
10.00 Classic Quiz.
12.00 Andre Leon.
2.00 Classic CD Chart Rundown.
3.00 Andre Leon.
4.00 Classic America.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 A Tenor Sang. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Nick Barraclough's New Country. 1.00 John Terrett. 4.00 Alex Lester.

BBC RADIO 3
6.55 Weather.
7.00 Sunday Morning Concert.
9.00 News.
9.05 Brian Kay's Sunday Morning.
12.00 Spirit of the Age.
1.00 News.
1.05 Replay.
1.25 BBC Philharmonic at the Marseille Opera.
3.00 Wind Quintets.
3.45 In Festo Omnium Sanctorum.
4.30 Listening To.
5.15 Bruckner.
6.35 Nash Ensemble.
7.30 Sunday Play.
9.20 Mozart Requiem.
10.15 Music in Our Time.
11.10 Bath International Festival 1992.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 The Living World.
7.40 Sunday.
8.50 Katie Boyle.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Sunday Playhouse.
3.30 The Radio Programme.
4.00 Analysis.
4.47 Treasure Islands.
5.00 Kershaw On.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 The Village.
6.30 Europhile.
7.00 In Business.
7.30 Bookshelf.
8.00 Opinion.
8.30 Enterprise '92 Awards.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 Drunk.
11.00 In Committee.
11.30 Seeds of Faith.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service: Newshour.
6.30 Weekend Edition.
8.30 The Haunting of Sophie Bartholomew.
10.00 Johnnie Walker.
11.30 Fantasy Football League.
12.30 Sunday Brunch.
1.40 Open Forum.
2.00 Room 101.
2.30 Sunday Sport. Football: Sheffield United v Sheffield Wednesday.
5.30 Ride On.
6.00 Writers' Weekly.
6.30 Education Matters.
7.15 How We Lived Then.
7.30 Italianissimo.
8.00 Restart French.
8.30 Deutsch Express.
9.00 Dragnet.
9.30 Club Class.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
6.00 News. 6.15 Letter From America. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Classics with Kay. 9.00 News; Business Review. 9.15 Seeing Stars. 9.30 Folk in Britain. 9.45 Sports Roundup. 10.00 News Summary; Science in Action. 10.30 In Praise Of God. 11.00 Newsdesk. 11.30 BBC English. 11.45 News and British Press Review in German. 12.00 News Summary.
12.01 Play Of The Week: Mr and Mrs Nobody. 1.00 Newshour. 2.00 News Summary. 2.01 About Face. 2.30 Anything Goes. 3.00 News. 3.15 Concert Hall. 4.00 News; News About Britain. 4.15 BBC English. 4.29 News Headlines in French. 4.30 Programmes in German. 5.00 News and Business Review. 5.15 Club 648. 5.30 Programmes in French. 6.00 Newsdesk. 6.30 Programmes in German. 8.00 News; Folk in Britain; Words of Faith. 8.30 Europe Tonight. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Business Review; Classics with Kay. 12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News Summary; Daring To Dance. 1.45 The Devil's Trill. 2.00 Newsdesk. 2.30 Composer Of The Month: Claude Debussy. 3.00 News; News About Britain. 3.15 Sports Roundup. 3.30 Anything Goes.

CLASSIC FM
6.00 Sarah Lucas.
9.00 Classic Romance.
12.00 CD Requests.
2.00 Celebrity Choice.
3.00 Robert Booth.
7.00 Book Browse.
8.00 Classic FM Concert.
10.00 Sunday Night Out.
11.00 Contemporary Classics.
12.00 Andre Leon.
2.00 Classic Romance.
3.00 Andre Leon.

CHESS

CHESS as a spectator sport is the unusual theme of the £150,000 Immopar Trophy in Paris on 10-15 November. The world's leading grandmasters, headed by Kasparov, Karpov, Short and Judit Polgar, will compete in a 16-player knock-out at the Theatre des Champs Elysees watched by an expected 2,000 spectators daily.

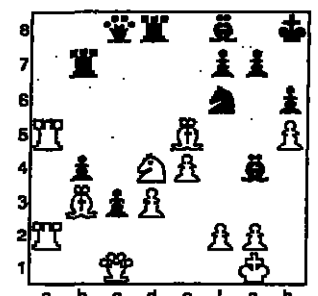
Each match will consist of two 25-minute games, and if these end 1-1 the tie will be broken by blitz chess where White has six minutes, Black five, and a draw counts as a black win.

The audience can watch on large video screens and listen to headphone commentaries. Seats will have personal keyboards enabling spectators to compete in their own tournament by predicting most correct moves. If you are interested in being there, phone 010 -33-1-42-89-39-90 (fax 39-80).

Michael Adams, 20, earned his place among the Immopar elite by winning the £37,000 first prize in the final against world no 6 Boris Gelfand at Tilburg this week (M Adams, White; I Smirin, Israel, Black; Sicilian Defence; Interpolis Tilburg semi-final 1992).

1 e4 c5 2 Nf3 d6 3 d4 cxd4 4 Nxd4 Nf6 5 Nc3 a6 6 f4 e6 7 Qf3 Qb6 8 a3 Nbd7 9 Nb3 Qc7 10 g4 h6 11 h4 h5 12 g5 Ng4 13 Bd2 b5 14 0-0-0 Bb7 15 Kb1 Rc8 16 Be2 g6 17 Rhe1 Bg7 18 Qg3 Nb6 19 Bxh4 hxg4 20 f5 Be5 21 Qxg4 Qe7 22 Na5 Ba8 23 fxg6 fxg6 24 Bf4 Rxc3 25 bxc3 Na4 26 Bxe5 dxe5 27 Rd3 0-0 28 Red1 Nc5 29 Rd6 Bxe4 30 Nc6 Qg7 31 Qg1 Na4 32 Rd7 Nxc3+ 33 Ka1 Rf7 34 Rxf7 Qxf7 35 Rd8+ Kg7 36 Nxe5 Ne2 37 Qe3 Qf1+ 38 Kb2 Resigns.

CHESS No 947



I Smirin v P Nikolic. Interpolis Tilburg 1992. The game was in the balance till Black played 1 . . . Nd7. Why was this a fatal error?

Solution Page XX

Leonard Barden

BRIDGE

My hand today, which comes from teams-of-four, shows defence at its best:

N
♠ 7
♥ 10 9 6 5
♦ Q 10 9 4
♣ A Q 7 2

W
♠ Q J 10 8 2
♥ 4
♦ 7 6 5 3 2
♣ K 6

E
♠ A 5 4 3
♥ 8 3 2
♦ A K
♣ J 10 5 3

S
♠ K 9 6
♥ A K Q J 7
♦ J 8
♣ 9 8 4

South was the dealer, and opened the bidding with one heart, North raised to three hearts, and South went on to four.

West made the obvious lead of the spade queen. In room one East took the first trick with his ace, and after a little thought cashed ace and king of diamonds, trusting his partner to produce a trump trick. Winning East's spade return, South drew trumps in three rounds, ruffed his nine of spades on the table, discarded two clubs on the queen and 10 of diamonds, and claimed his contract.

"Nothing to be done," said West, "and the club finesse was right as well."

In the other room, as you can imagine, South was also in four hearts and West again led the spade queen.

East won, and surveyed the position. He could see three defensive tricks, but he did not think for one moment that declarer had a trump loser. There was only one chance – that West held the club king, and that South had three cards in that suit. Timing was of the essence. Neither ace nor king of diamonds must be cashed at this point. At trick two East returned the club three, and West's king lost to dummy's ace. South drew trumps, and led the knave of diamonds. East won, and played his knave of clubs, establishing his 10, while he still controlled diamonds. South had to go one down.

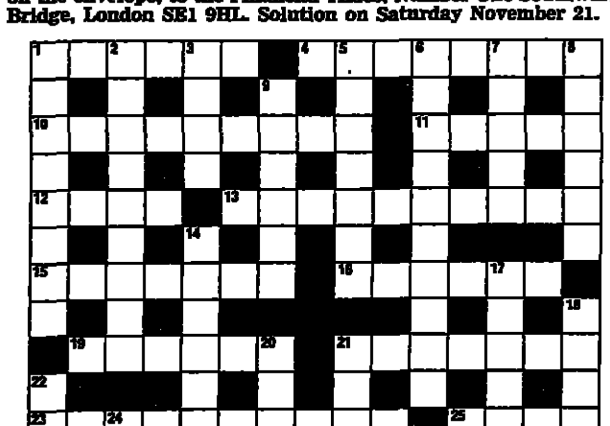
I think that East deserved a brilliancy prize for his imaginative defence, don't you?

E P C Cotter

CROSSWORD

No. 7,997 Set by CINEPHILE

A prize of a classic Pelikan Souveran 800 fountain pen for the first correct solution opened and five runner-up prizes of £15. Solutions by Wednesday November 18, marked Crossword 7,997 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday November 21.



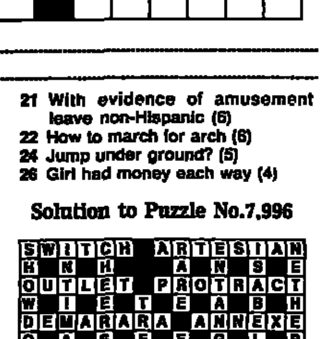
Name...

Address...

ACROSS
1 Almost increased offer: it's pathological (6)
4 Untypical to be included in unqualified (8)
10 Put money on bowls at home of habitually absent peers (9)
11 Disguise for postmarked envelope (5)
12 Cobbler's end (4)
13 Charge on shield from fuller side (5-2-3)
15 Get coarse or ill when lisping (7)
16 Stopped call for prohibition (4,2)
19 Drinks on the Queen (difficult clue) (6)
21 Gaia's condition – be mother soon? (7)
23 A loss every time? (5,5)
25 Lament for little page (4)
27 Give pound to model with depression (5)
28 Mythical seducer of green lady (9)
29 Safe vessel that won't age (5,3)
30 Deal with gear (6)

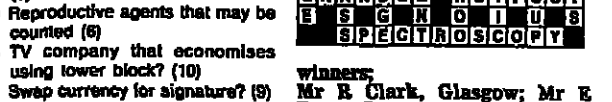
DOWN
1 Limit boy's chance of getting around (8)
2 After break I have not been dominant (9)
3 American island article (4)
5 Black with one speck of soot, hard stuff to use medicinally (7)
6 Vice and dirt is reformable; he isn't, seemingly (10)
7 Block found in Roman villa (5)
8 Beat corn that's old in gateway (6)
9 Reproductive agents that may be counted (6)
14 TV company that economises using tower block? (10)
17 Swap currency for signature? (9)
18 They open, strangely, with starter (8)
20 First-class drink raised in special dress (7)
21 With evidence of amusement leave non-Hispanic (6)
22 How to march for arch (6)
24 Jump under ground? (5)
26 Girl had money each way (4)

Solution to Puzzle No.7,996



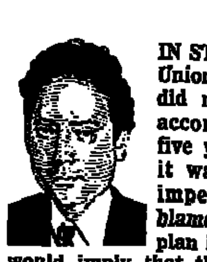
Solution and winners of Puzzle No.7,985

winners;
Mr R Clark, Glasgow; Mr E Burns, Barrow-in-Furness; Mrs P Jennings, Kennington, Oxon; Mr M Mercer, St Just, Penzance; Mr A Hollocks, Norwich; Mr J Lynch, Penylan, Cardiff.



Savers: enemies of the State

***Dominic Lawson** demands a purge of those who are sabotaging the Party's plan*



IN STALIN'S Soviet Union the economy did not always go according to the five year plan. But it was, of course, impermissible to *blame that on the* plan itself. To do so would imply that the Communist Party under the leadership of Comrade Stalin was capable of error, an admission that would undermine the state.

When things *did* go wrong in a very noticeable way, someone else had to take the blame. These people were called Wreckers. That was the generic term. The specific details of the Wreckers varied from five year plan to five year plan. They could be Mensheviks or Z ionists or on one more than usually paranoid occasion Doctors.

Perhaps the time has arrived for the British Government to come up with a similar excuse. Like the old-style Communist Party it finds it absolutely impossible to admit of any error in its conduct of economic policy, let alone apologise for its mistakes. But the problem is, the public need someone to blame, they need a victim.

The British government did, in its way, come up with some suitable Wreckers in the aftermath of the Exchange Rate Mechanism debacle. They were called Germans. Unfortunately we could not coerce the Germans into confessing that they had deliberately wrecked the British economy.

Norman Lamont was unable to lock Helmut Schlesinger, the governor of the Bundesbank, in a cell to apply the torturer's time honoured persuasive techniques of sleep deprivation and electric shocks. No, like Stalin's NKVD, the British government must find its scapegoats among the more vulnerable indigenous population.

They will be called the Savers. It *is they who will be declared to be* the deliberate saboteurs of the otherwise impeccably conceived and executed five year plans of the Politburo, otherwise known as Her Majesty's Treasury.

The Savers have been coordinating their subversive campaign to wreck the economy for well over a year now. When the Treasury press office first put out their statement that "the green shoots of recovery are clearly visible" early in 1991 the Savers deliberately cut back on their spending.

Some of them used the obviously spurious excuse that they had been made redundant, and did not know where the next penny was coming from. Others, even more outrageously, *said that although they* were in work at the time, they feared they might be laid off in the near future, and would therefore save a greater proportion of their earnings. They did this in the clear knowledge that such a high level of saving would further delay the economic recovery of the Motherland.

Some of the Savers, when captured and interrogated, will scream that they thought they were carrying out the policies of Major, the Supreme Leader, who had declared that inflation was the "number one enemy of the Motherland".

These snivelling excuses will not be accepted by the courts.

The recent cuts in interest rates, ordered by the proper political *authorities – in contrast to the* capitalist US where such things are decided by a totally undemocratic financiers' cabal – have met with a strong reaction from the Savers. They have wickedly decided to use this windfall – given to them by their generous government – to pay their mortgages and other outstanding debts. The result has been to nullify the new and unanimously acclaimed "strategy for growth".

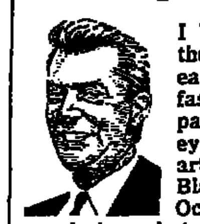
This has been a slap in the face for honest English shopkeepers, many of them Party members, who *have been* patiently sitting behind their counters waiting for customers to come in and spend all their money. Patriotic shopkeepers will be expected to hand in to the appropriate authorities the names of Savers who try to disguise their treachery by making occasional shopping forays. They can be detected by Stakhanovite shop assistants prepared to ask boldly and unconventionally the question "Can I help you sir (or madam)?." If the response is: "I'm *only browsing" or "just looking"*, then a citizen's arrest may be made.

Meanwhile, to those subversives who speculate that members of the cabinet are among those diverting their state-financed income to reduce their personal borrowings, the government's response will be: "All bank overdrafts are equal, but some bank overdrafts are more equal than others."

■ *Dominic Lawson is Editor of The Spectator.*

Every word counts

Michael Thompson-Noel



I WAS IN Toronto the other morning, eating my breakfast, reading the papers, when my eye fell upon an article celebrating Black Monday, in October 1987, and wondering what series of events, what doomsday scenario, would trigger the next great stock market crash. I enjoy such articles, for they remind me that my own investments, though insignificant – they account for 0.000000000000000000000000000002 of global net wealth – need to be husbanded just as carefully as those of Carl Icahn.

Icahn, the New York corporate investor, was one of the gurus consulted *for the article.* "I *think in the* next year or two you'll see another crash that might make 1987 seem like kindergarten," said Icahn. Reason: herd behaviour by US pension fund executives, many of whom have 50 to 70 per cent of their funds invested in the stock market. "The fellows who run these funds run them like cookie-cookers," said Icahn, "and when they all go for the exits, you're going to see apocalypse."

He says that $3.8 trillion worth of funds are concentrated in just a few hands. "It's the same type of guy. They live in the same type of house, drive the same type of car, have the same type of Harvard degree. They're not bad people. They're bright people. But they've never been through a bad crash. 1987 was not earth-shaking."

The guru who gave me greatest pause for thought was John Templeton, chairman of Templeton mutual funds, who pointed to the possibility that stock market apocalypse could be triggered by real apocalypse. A nuclear war, he said,

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could "have a depressing effect for quite a while." Alternatively, there might be a media-induced panic reminiscent of Orson Welles' *War of the Worlds* caused by "the enormous increase in the quantity of information going around the world simultaneously."

Think about it. The number of bits of information now circling the globe simultaneously is estimated at 57 tril tril zil. That is a lot of information. And most of it is useless. Or excessively duplicated. Or just plain stupid. So here is an idea. To help counteract the possibility of media-induced apocalypse, I think it behoves all of us who toil in the media vineyard to reduce our word-counts substantially. Diminish the number of bits of information flying wildly through the ether by 98 per cent of 57 tril tril zil.

This week, I spoke to political leaders on both sides of the Atlantic. They told me numerous things. Things to make your ears pop. But instead of bombarding you with *everything they told* me, *I have* edited their words to the essence, so as to reduce the quantity of information flowing mindlessly round the globe:

John Major: "Good evening, Michael. Thankyou very much for telephoning me. Am I alarmed by -? Certainly not - - - - - - - - - backbenchers don't frighten me - - - - - - - - - safe pair of hands - - - - - - - general election - - - - - - call out the tanks - - - - - - - - - - - Army's loyalty not in question - - - - - - - - - - - - - - nuclear submarines - - - - - - - - - fight against inflation - - - - - - - - Maastricht or bust - - - - - - - - Thankyou, Michael. I always enjoy conversing with you."

Norman Lamont: "- -."

Michael Heseltine: "I'm curiously well, thankyou - - - - - - - - Oliver Cromwell - - - - - - - - - president-for-life - - - - - - - - - - Princess Margaret, dual coronation - - - - - - - stuff the working class - - - - - - - - - - Indubitably so, Michael, indubitably so."

George Bush: "Hiya, Mikey, nice of you to call. Of course it'll be a landslide. Those boys did really well - - - - perch running hot - - - - - long par four - - - - call it 30-40 - - - - - - tension city, Mikey - - - - won't see my trail for dust. *Biyeeeeeee!*"

Bill Clinton: "- - - - inhale – not! - - - - - - - - - - - - - - - - - -."

Ross Perot: "How y'doing, boy? - - - media long-hairs and half-wits - - - - - - - $250m - - - crazy, crazy, *crazy* - - - - - - - - CIA, FBI - - - - - - - - - - country up for grabs - - - - - - - Any time you like, boy, any time you like."

If all journalists were to filet their output like that, the amount of garbage swirling round the globe could be cut *to a trickle. Remind* me to have a word with -.

Private View/**Christian Tyler**

Man who plays jester at the court of Du Pont

ON HIS business card it says "Strategic Thinking". But Michael Geoghegan likes to describe himself as the court jester, the man who can tell home truths in the throne room without getting his head chopped off.

He is the Irishman at the court of E.I. du Pont de Nemours, the US corporate giant which has sales of nearly $40bn and employs 144,000 people in chemicals, man-made fibres, polymers, industrial, consumer and medical products, oil, gas and coal.

His job, rare in corporate America, is to tell the bosses of Du Pont's fibres division what is going on in the world outside their office windows and to alert them to the dangers of Darwinian extinction.

Qualified in chemistry, business administration and social science, Dr Geoghegan (pronounced "Gaygan") enjoys displaying his eclectic knowledge. "I know some of the leading thinkers round the world, and six or seven Nobel laureates personally," *he said immodestly.* But he also has a knack for the sweeping pronouncement – "there is no recession" – and a Joycean flair for caricaturing the rituals of the American managerial class.

After 25 years with Du Pont he *still speaks with the heavy accent* and finger-jabbing insistence of the man in the Dublin pub. If you are slow to take a point, his voice rises to a passionate squeak.

Not surprisingly for one educated by the fearsome Christian Brothers and in the quasi-monastic surroundings of Garbelly College in western Ireland, Geoghegan makes much use of the clerical analogy. Business is like the Church, and just as hidebound: middle managers are "the priests in an old hierarchy", corporate planners "monks serving the priesthood of the management".

He can be elliptical. When I first asked him to explain what he did, he rattled off a discourse in which geopolitical change, the "core/shell" concept, Schumpeter, thermodynamics, the transistor and quantum mechanics, biotechnology and multimedia communication all made an appearance.

I asked him to be more precise. "Take nylon chemistry," he said. "As the social system becomes more aware of the consequences of nylon in the general social system we will begin to modify the kinds of chemistry we do."

I don't understand, I said.

"OK. You take Tienanmen Square," he said, somewhat mysteriously. "What's happening over there is a function of the technology. We do certain chemistries and they have ecological balances which affect the social system. You cannot do chemistry today that pollutes the local ecological system."

What's that got to do with information technology?

"That's how they found out! We've always had problems in ecology, but what happens when you find out about it? You see, that's the whole point."

But what's different now?

"People get concerned about their own self-interest because they're now aware." Because they watch more television, you mean?

"Exactly!"

'I am a kind of composer. I have to orchestrate the process of redesigning the social structure of the company'

Geoghegan's message is that economies are stagnating because companies have not learned how to manage the consequences of the information technology explosion. Wealth, he says, is today based on information not mass, on complexity not volume. Sand is turned into silicon chips.

Companies are confused because customers armed with computer terminals can design and demand the products they want.

"There's a whole new milieu caused by free switching. We threw free switching into the world. This has made every individual their own designer but businesses are trying to hang on mightily to their own theory.

"General Motors says: 'I'll tell you what car to buy.' So they make the wrong car, cheaper. They keep failing and they don't know why. Ross Perot put it very well: what it takes to get ahead in General Motors has got nothing to do with how to build a better car. Of course not!"

Information is too widely disseminated to be controlled by the bosses, and so the old hierarchy is redundant. "You're not telling people what to do any more; you're giving them intellectual and physical resources so they can do what is possible."

But, I interrupted, what you are describing is known to the marketing manager and the production manager, too. What can you add?

"What you just said isn't true. In the social theory of the corporation people act in order to get promoted. The organisation, like Du Pont, is a totalitarian system. It is based on infantile behaviour. You please the boss, and so forth. There are very clear but unstated, undiscussable, camouflaged sets of rules about getting ahead.

"But if you continue with that social theory you will make investments which move you further from what's happening in the world."

You mean people are investing in themselves all the time, not in the company?

"Of course! They've been talking to each other mostly all their lives. So there's a little game going on in the village and they make decisions in their own interest. They have a *natural blindness to what is happening* in the world. Martin Luther was a real problem to the Catholic Church. So was Galileo. The system will act to conserve its own structure – who is allowed to talk to whom about what.

"A lot of people knew we were coming to the end of this and went on a massive greed binge in the Eighties. It's not surprising CEO salaries went through the roof because intuitively there was this feeling: We're coming to the end! They used to think they were running the company. Now they know they're not."

The management consultants, gurus and quacks, saw what was happening and profited handsomely from the panic, Geoghegan said. "The Harvard Business School put out a lot of bullshit. The Sloan School talked about 'empowerment' – you know, all these tons and tons of books of management stuff.

"Why do you think that happened? Because they thought: 'If these guys are shaky and sick, my God we've a goldmine! So feed 'em all this bullshit.' And they lapped it up. How do you keep your job? Answer: a good line in bullshit and a pulpit."

What's the most unpopular thing you've ever said to the top management of Du Pont?

"Oh, that buying Conoco was not a good idea. (Du Pont bought Conoco in 1981 for $7.6bn, one of the biggest US acquisitions of its time.) You could see the price of oil was going to go down. Maybe we should have paid $5bn for it."

You must be seen as a busybody by a lot of the people there.

"I wouldn't say busybody. People would say that I am, you know, very intelligent, whatever the hell that means, and they sort of sense I am up to something. But I am very threatening to any specialised group because I talk about a change of agenda. The higher up I get the less I seem to have a problem.

"I'll tell you what drives me. I've been in Du Pont when we had what I call 'ego space': plenty of wonderful problems to solve. We now have a contraction of ego space. Seeing the scarcity, people get nasty, aggressive, territorial. It's unpleasant. So that's the problem.

"Some people are artists. I am a kind of composer. I have to orchestrate the process of redesigning the social structure of the company."

Is the fact you're a foreigner useful?

"I think it helps. You know, I think having an Irish accent helps. Maybe they think I'm a little nuts. Maybe that helps too – what the hell!"

And *your religious education?*

"Extremely important. Because if you're brought up as a rigid Irish Catholic and then you have to dismantle all that, you know what it means to transform your belief system." (Geoghegan regards himself now as more of a Buddhist or Taoist.)

Are you still an Irishman?

"My genetic code says Yes. But that doesn't mean anything. I'm of the cosmos. Nationalism is a disease.

"Because I emigrated I have some idea how social structures work. Believing is seeing. It's not the other way round. What you believe, you see.

"I've had the chance to see there *are these different ways of looking.* So it's no accident I have taken on this task. There's no way a vice-president of Du Pont could do what I'm doing. It's not in his karma."

Truth of the Matter

Women in Christian bondage

***Philip Crowe** describes the taboos which divide women from the priesthood*

IT IS a curious fact that the creator of Narnia, C S Lewis, who filled his imaginary land with such an amazing assortment of creatures, had a phobia about insects. Into a vivid paragraph describing *this,* "The works, that is the trouble, all on the outside," Lewis gratuitously drops this sentence: "In the hive and the ant-hill we see fully realised the two things that some of us most dread for our own species: the dominance of the *female and the dominance of* the collective."

In spite of, or perhaps because of, this dread, Lewis was fatally attracted to extremely dominant women, but with women as with insects, he was capable of rational*ising his phobias with startling clar*ity. He wrote a brief essay called "Priestesses in the Church", a diatribe against the ordination of women priests.

This month, 72 years after the debate officially started, the Church of England hovers on the brink of a momentous decision.

The arguments in favour of women being ordained priests are not only clear, but overwhelming. Discrimination against people, solely on the grounds of race or gender, is generally held to be a bad thing, which the church resists everywhere except in the church. Men and women are equal in the sight of God, but unequal in the life of the church. Justice for women everywhere, but not in the sanctuary.

The practical arguments, too, would rapidly convince any personnel manager. An organisation *which resorts to desperate* expedients to meet its core commitments, while ignoring over half its available people, must be either strange or incompetent.

Yet opposition to the ordination of women, among women as well as *men, is passionate, vociferous,* and deep-seated. Of course the opposition is similar to that prejudiced resistance to women which has afflicted London clubs and company board rooms.

On the surface, it is rational: "We couldn't possibly admit women – we have no toilets for them." But what is going on beneath the surface? As with Lewis, there are undercurrents of dread.

Society in general sorted out this issue long ago. We are, *in theory at* least, an equal opportunities society. The church as usual comes lumbering up to the finishing line puffing and panting long after everyone else has gone home. But what society states in theory, and what happens in practice, are not the same.

True, we have had our first woman prime minister. Was she not the best man in the cabinet ? Is there *any way of distinguishing,* except by voice, the speeches of a female politician from those of a male?

The language of public discourse is the language of power, the male language. The women who get on *are the women who perform best as* imitation men, in a society where human beings are called Man, the only respectable God is male, and the only direction is upwards, towards success.

Female language is the language of weakness, of vulnerability, the language of fulfilment and of relationships. No, this is not a tired piece of stereotyping. The point is that we should all be bilingual. The language of public discourse should be both masculine and feminine.

If the church were to ordain women to the priesthood, it would be inviting and welcoming this bilingual discourse at the very heart of its life. The fact that it has been such a long and hard struggle may mean that the church will understand, more deeply than society, what it means to be both male and female.

But why is it such a desperate *struggle? Where does such passion*ate opposition to women priests come from? The former Bishop of London once remarked that if he saw a woman in the sanctuary, he would want to hug her. His predecessors would have behaved with marginally less subtlety.

There is some extraordinary correspondence dating from the 1930s, a Bishop of Durham, no less notorious for the extreme liberalism of his views than his current successor, laying down precise rules about where a woman may stand in church if she is to read the scriptures. The sanctuary is, beyond question, out of bounds.

Social anthropologists argue persuasively that gender issues are not *simply about physical differences.* They are also an indicator of social differences.

Sanction-laden rules about what constitutes appropriate behaviour are a means of identifying social boundaries. They preserve the identity of the group.

Within the church, boundaries marked by gender have contracted so much that the few which remain are invested with dreadful signifi*cance. The last remaining preserve* of the male priest is the authority to speak those most powerful words of remembrance, of forgiveness, and of blessing. The male priest is the representative of the very tradition which gives him authority. If the gender of the priest can be changed, nothing is sacred. If the tradition is flouted, we no longer know who we are.

Worse still, we no longer know who God is. The male priest, representing Jesus the man, evokes powerfully the image of the male God, and that image has dominated Christian worship and teaching for generations. More than 100 drawings of God, done for me by children in a village primary school, con*tained only one hint of the femi*nine, a wonderfully colourful figure with two heads, the male smoking a pipe and the female a cigarette.

Just below the surface lurk questions of human sexuality. The Christian church has maintained a tradition which holds that even an ideal sex life is inferior to no sex life at all. This tradition tells that the ideal priest is male and celibate. An elderly lady said recently to a woman deacon, "You won't help with Communion, will you, when . . . you know . . . it's that time *of the month."* And *there is* something shocking about the idea of a pregnant woman celebrating the Holy Communion.

All the rational arguments barely conceal deep and primitive fears which bear all the classic features *of cultural* taboo.

Earlier this year, the men in a church choir hissed at a newly-ordained woman deacon as she walked through the chancel and in to the sanctuary. She was the first woman ever to do so in that church. Had she turned into a pillar of salt, it would have been less than they hoped for. The sound of their hissing evoked in her a primitive kind of horror.

It is these primitive fears, these cultural taboos, which are recognised in Christian faith as "elemental spirits" from which people are set free by the liberating truth of the gospel. If the church decides not to ordain women as priests, it will not simply make injustice an offi*cial part of its own life.* It will also declare itself to be in bondage to primitive fears. No doubt the Church of England would still have a great deal to say; but would it have any credibility at all?

Reverend Philip Crowe is principal of Salisbury and Wells Theological College